

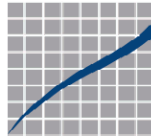
CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central Marksheffel 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 Central Marksheffel 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
July 31, 2015

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BASIC FINANCIAL STATEMENTS

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 570,714
Cash and investments - restricted	584,392
Accounts receivable - County Treasurer	8,683
Property taxes receivable	709,147
Grant receivable	100,000
	1,972,936
 <u>LIABILITIES</u>	
Accounts payable	10,138
Accrued interest payable	29,934
Noncurrent liabilities:	
General obligation limited tax bonds:	
Due within one year	280,000
Due in more than one year	11,880,000
	12,200,072
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred tax revenues	709,147
	709,147
 <u>NET POSITION</u>	
Restricted for:	
Debt service	691,628
Emergency reserve	6,418
Unrestricted	(11,634,329)
	\$ (10,936,283)

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

CENTRAL MARKSHEFFEL 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>	
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT:					
General government	\$ 476,470	\$ -	\$ -	\$ -	\$ (476,470)
Grant revenues	-	-	100,000	-	100,000
Impact fees	-	11	-	-	11
Debt forgiveness contribution	-	-	-	2,305,658	2,305,658
Bond issuance costs	274,525	-	-	-	(274,525)
Interest and related costs on long-term debt	798,593	-	-	-	(798,593)
Total primary government	\$ 1,549,588	\$ 11	\$ 100,000	\$ 2,305,658	856,081
GENERAL REVENUES:					
Property tax					939,413
Specific ownership taxes					100,140
Investment earnings					2,052
Total general revenues					1,041,605
Changes in net position					1,897,686
Net position, beginning of year					(12,833,969)
Net position, end of year					<u><u>\$ (10,936,283)</u></u>

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

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 345,708	\$ 225,006	\$ -	\$ 570,714
Cash and investments - restricted	-	-	584,392	584,392
Accounts receivables - County Treasurer	1,447	-	7,236	8,683
Property taxes receivable	118,191	-	590,956	709,147
Grant receivable	-	-	100,000	100,000
Total assets	<u>\$ 465,346</u>	<u>\$ 225,006</u>	<u>\$ 1,282,584</u>	<u>1,972,936</u>
<u>LIABILITIES</u>				
Accounts payable	10,138	-	-	10,138
Advances from related parties	-	-	-	-
Total liabilities	<u>10,138</u>	<u>-</u>	<u>-</u>	<u>10,138</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred property tax revenue	118,191	-	590,956	709,147
Total deferred inflows of resources	<u>118,191</u>	<u>-</u>	<u>590,956</u>	<u>709,147</u>
<u>FUND BALANCE</u>				
Restricted for:				
Debt service	-	-	691,628	691,628
Emergency reserve	6,418	-	-	6,418
Committed to:				
Capital projects	-	225,006	-	225,006
Unassigned:				
General government	330,599	-	-	330,599
Total fund balances	<u>337,017</u>	<u>225,006</u>	<u>691,628</u>	<u>1,253,651</u>
Total liabilities and fund balances	<u>\$ 465,346</u>	<u>\$ 225,006</u>	<u>\$ 1,282,584</u>	

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

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	(12,160,000)
Accrued interest payable	(29,934)

Net position of governmental activities	<u>\$(10,936,283)</u>
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The accompanying notes and independent auditor's report should be read with this financial statement.

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 156,488	\$ -	\$ 782,925	\$ 939,413
Specific ownership taxes	16,690	-	83,450	100,140
Impact fees	-	-	11	11
Grant revenues	-	-	100,000	100,000
Net investment income	-	-	2,052	2,052
Total revenues	173,178	-	968,438	1,141,616
EXPENDITURES				
Current:				
Audit	6,000	-	-	6,000
Bank charges	2,023	-	-	2,023
Board of directors fees	2,100	-	-	2,100
Insurance	2,268	-	-	2,268
Landscaping and maintenance	67,798	-	-	67,798
Legal	52,634	-	-	52,634
Management fees	78,000	-	-	78,000
Other	405	-	-	405
Postage	320	-	-	320
Treasurer's fees	2,372	-	11,861	14,233
Debt service:				
Bond principal	-	-	320,000	320,000
Interest	-	-	768,659	768,659
Capital projects:				
Bond issuance costs	-	274,525	-	274,525
Total expenditures	213,920	274,525	1,100,520	1,588,965
Excess of revenues over (under) expenditures	(40,742)	(274,525)	(132,082)	(447,349)
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	-	12,230,000	12,230,000
Repayment of bonds	-	-	(13,020,000)	(13,020,000)
Repayment of developer advances	-	(493,945)	-	(493,945)
Transfers in (out)	308,834	990,892	(1,299,726)	-
Total other financing sources (uses)	308,834	496,947	(2,089,726)	(1,283,945)
Net change in fund balances	268,092	222,422	(2,221,808)	(1,731,294)
Fund balances, beginning of year	68,925	2,584	2,913,436	2,984,945
Fund balances, end of year	\$ 337,017	\$ 225,006	\$ 691,628	\$ 1,253,651

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

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**CENTRAL MARKSHEFFEL 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**

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

Net change in fund balances - total governmental funds \$ (1,731,294)

The issuance of debt provides current financial resources to government funds, while the repayment of principal of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of debt is as follows:

Principal payment on bonds payable	13,090,000
Repayment of developer advances - principal	350,000
Repayment of developer advances - accrued interest payable	143,945
Bond issuance	(12,230,000)
Debt forgiveness contribution - principal	1,957,300
Debt forgiveness contribution - accrued interest payable	348,358

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 on bonds	(30,623)
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Changes in net position of governmental activities **\$ 1,897,686**

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

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Property taxes	\$ 118,549	\$ 117,426	\$ 156,488	\$ 39,062
Specific ownership taxes	7,113	12,518	16,690	4,172
Total revenues	<u>125,662</u>	<u>129,944</u>	<u>173,178</u>	<u>43,234</u>
<u>EXPENDITURES</u>				
Audit	6,600	6,000	6,000	-
Bank charges	200	200	2,023	(1,823)
Board of directors fees	1,000	2,100	2,100	-
Insurance	2,000	2,700	2,268	432
Landscaping and maintenance	20,000	20,000	67,798	(47,798)
Legal	30,000	55,000	52,634	2,366
Management fees	78,000	78,000	78,000	-
Other	2,000	2,000	405	1,595
Postage	50	160	320	(160)
Treasurer's fees	1,778	1,779	2,372	(593)
Total expenditures	<u>141,628</u>	<u>167,939</u>	<u>213,920</u>	<u>(45,981)</u>
Excess of revenues over (under) expenditures	(15,966)	(37,995)	(40,742)	(2,747)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in (out)	-	-	308,834	308,834
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>308,834</u>	<u>308,834</u>
Net change in fund balance	<u>\$ (15,966)</u>	<u>\$ (37,995)</u>	268,092	<u>\$ 306,087</u>
Fund balance, beginning of year			<u>68,925</u>	
Fund deficit, end of year			<u>\$ 337,017</u>	

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

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. DEFINITION OF REPORTING ENTITY

Central Marksheffel Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was formed on December 4, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to construct public improvements including road and bridge improvements, landscaping, sanitary and storm sewer, water systems, park and recreation, channel and other drainage improvements needed for the area.

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 and 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.

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

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 property taxes, ownership taxes and intergovernmental revenues.

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

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

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

Measurement focus, basis of accounting and financial statement 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, ownership taxes, grant revenues and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that developer advances are not considered as revenue susceptible to accrual. Expenditures, other than 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.

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Projects Fund - The capital projects fund accounts for the construction costs of public improvements undertaken and financed by the District.

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.

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, fund balance remaining 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.

During the year ended December 31, 2014, appropriations approved by the District modified the debt service fund appropriation from \$1,063,309 to \$501,611 plus fund balances remaining. Accordingly, the appropriations of \$501,611 plus the fund balances remaining of \$691,628 were sufficient to cover the District's debt service fund expenditures of \$1,100,520.

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.

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax

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

Property taxes, net of estimated uncollectible 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.

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.

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.

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund equity (continued)

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.

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	\$ 570,714
Cash and investments - restricted	584,392
	\$ 1,155,106

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

Deposits with financial institutions	\$ 345,707
Investments	809,399
	\$ 1,155,106

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

3. CASH AND INVESTMENTS (CONTINUED)

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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 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 otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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

4. LONG-TERM OBLIGATIONS

2004 Series Bonds

In 2004, the District issued general obligation limited tax bonds with a face value of \$14,650,000. The bonds bear interest at an annual rate of 7.25% to be paid to the bondholders semi-annually on each June 1 and December 1, beginning December 1, 2004. The bonds mature on December 1, 2029 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, 2014 or on any date thereafter. The bonds are subject to mandatory sinking fund redemption requirements beginning in 2006.

On September 2, 2014, the District issued \$12,230,000 in General Obligation Refunding Bonds dated September 2, 2014 for the purpose of repaying the 2004 Series Bonds, all reaming developer advances and costs of providing certain public improvements for the District. Bond proceeds were also transferred to the various reserve accounts that were establish per bond agreement.

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

4. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2014A and Series 2014B

During 2014, the Districts issued new bonds to replace the 2004 Series Bonds. The bonds were reissued in two separate issuances: the Series 2014A and Series 2014B Bonds for a combined amount of \$12,230,000. The interest rate on the 2014A Bonds is 2.94% per annum and the rate on the Series 2014B Bonds is 3.11% per annum. Interest on the 2014A Bonds and 2014B Bonds is payable to the bondholders semi-annually on each June 1 and December 1, commencing December 1, 2014. The Series 2014A Bonds and Series 2014B Bonds mature on September 3, 2024 and are subject to mandatory sinking fund redemption prior to the maturity date. The bonds are also subject to optional redemption on any date from the date of issuance to maturity.

The Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the required mill levy, (2) the portion of the specific ownership taxes which are collected as a result of the imposition of the required mill levy, and (3) any other legally available monies which the District determines to be treated as pledged revenue. The bonds are also secured by amounts held by the trustee in the reserve fund. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable and to make up any deficiencies in the reserve fund. The maximum required mill levy is 30.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. For collection year 2014, the District levied 5.000 mills for the general fund and 25.000 mills for the debt service fund.

The District is required, pursuant to the bond agreements, to maintain project, surplus, loan payment, reserve and cost of issuance cash accounts.

Developer advances

In December 2006, the District entered into a reimbursement agreement with a developer under which the District will reimburse the developer for the cost of water service extension improvements that benefit the District and development within the District. This project was completed by the developer in the spring of 2007 at a cost of \$657,300. These costs will potentially be reduced by any reimbursements actually received by the developer from other sources such as a neighboring metropolitan district with which the developer has a reimbursement agreement. The District has recorded \$657,300 which management believes is a reasonable estimate of its liability. Simple interest at 6% totaling \$278,227 has also been accrued. The District does not know when the liability will be paid as it is subordinate to the bonds and payments are subject to annual appropriation by the District.

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

4. LONG-TERM OBLIGATIONS (CONTINUED)

Developer advances (continued)

On April 30, 2007, the District entered into an agreement with a developer under which the District will reimburse the developer for construction costs related to the intersection of two highways for the benefit of the District. Under the agreement, the reimbursement shall not exceed \$1,300,000 plus simple interest of 6% per annum commencing upon full completion and full acceptance of the intersection improvements by the appropriate jurisdiction. Payments are subject to annual appropriation and subordinate to the District's bond liability. The District's liability under the agreement is to be reduced by the cost recovery proceeds pursuant to reimbursement agreements to be negotiated by the developer with adjacent property owners or through the County's fair share reimbursement for improvements agreement with the adjacent property owners. Construction on this project was completed and the District has recorded \$1,300,000 as a liability. The District does not know when or if it will receive any reimbursements to offset this liability. The District has also recorded \$420,131 of accrued interest related to this project. The District does not know when the liability will be paid as it is subordinate to the bonds.

On August 20, 2014, the District entered into a reimbursement settlement agreement with the owner of the developer advance receivable under which both parties agreed to settle the outstanding obligation for \$350,000. The remaining \$2,305,658 has been recorded as debt forgiveness contribution.

The following is a summary of long-term debt of the District during the year ended December 31, 2014:

	Balance 01/01/14	Additions	Repayments/ Debt Forgiveness	Balance 12/31/14
2014A Series	\$ -	\$11,230,000	\$ 70,000	\$11,160,000
2014B Series	-	1,000,000	-	1,000,000
2004 Series Bonds	13,020,000	-	13,020,000	-
Developer advances	1,957,300	-	1,957,300	-
	<u>\$14,977,300</u>	<u>\$12,230,000</u>	<u>\$15,047,300</u>	<u>\$12,160,000</u>

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

4. LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligation on the 2014A and 2014B Series will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 280,000	\$ 359,204	\$ 639,204
2016	290,000	350,972	640,972
2017	305,000	342,446	647,446
2018	315,000	333,479	648,479
2019	325,000	324,218	649,218
2020-2024	<u>10,645,000</u>	<u>1,403,222</u>	<u>12,048,222</u>
Total	<u>\$12,160,000</u>	<u>\$ 3,113,541</u>	<u>\$15,273,541</u>

5. NET POSITION

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

Restricted positions include net position that are subject to restrictions 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 restricted net position as of December 31, 2014 as follows:

Restricted net position:

Emergencies (see Note 9)	\$ 6,418
Debt service (see Note 4)	<u>691,628</u>
	<u>\$ 698,046</u>

The District's unrestricted net position as of December 31, 2014 totaled a deficit of \$11,634,329. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds.

6. RELATED PARTIES

Some members of the board of directors are officers, employees or associated with the developers of the property within the District and may have conflicts of interest in dealing with the District.

See independent auditor's report

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

7. INTERGOVERNMENTAL AGREEMENT

In June 2004, the District entered into a Transportation Impact Fee and Public Improvement Agreement with the County for the purpose of the District securing fair and equitable participation in the Marksheffel improvements from out-of-District properties identified within the area serviced by the improvements. Under the agreement, the County is to prepare an Off-Site Road Study and Plan to formalize and adopt a methodology for determining the fair and equitable financial participation in the Marksheffel improvements by the service area property, the result of which will be for the County to impose a Transportation Impact Fee on any service area property required to go through the subdivision process. Such fees will represent fair and equitable share of costs attributable to the out-of-District property as determined by the County, and will be remitted to the District by the end of the month following their collection.

In November 2012, the County and District entered into a first amendment to the agreement that relieves the County of its obligation to collect a contribution for the District's costs of construction for a portion of Marksheffel Road from certain properties outside the District's boundaries in favor of establishing a credit for the District within County's Road Impact Fee Program for regional road improvements previously built and to apply such credits first to the property within the District, and establish a reimbursable amount for the balance of the credit to be reimbursed by the County and paid to the District over time.

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.

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.

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CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue. 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

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
CAPITAL PROJECT FUND
SCHEDULE 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>
<u>REVENUES</u>				
Net investment income	50	50	-	(50)
Total revenues	50	50	-	(50)
<u>EXPENDITURES</u>				
Bank charges	25	25	-	25
Bond issuance costs	-	274,525	274,525	-
Capital construction	69,311	-	-	-
Project management	5,000	-	-	-
Total expenditures	74,336	274,550	274,525	25
Revenues in excess (deficit) of expenditures	(74,286)	(274,500)	(274,525)	(25)
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond refunding	-	768,109	-	(768,109)
Repayment of developer advances	-	(586,397)	(493,945)	92,452
Transfers in (out)	-	-	990,892	990,892
Total other financing sources	-	181,712	496,947	315,235
Net change in fund balance	<u>\$ (74,286)</u>	<u>\$ (92,788)</u>	\$ 222,422	<u>\$ 315,210</u>
Fund balance, beginning of year			2,584	
Fund balance, end of year			<u>\$ 225,006</u>	

See independent auditor's report.

CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE 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>
REVENUES				
Property taxes	\$ 829,846	\$ 821,986	\$ 782,925	\$ (39,061)
Specific ownership taxes	49,791	87,622	83,450	(4,172)
Impact fees	-	-	11	11
Grant revenues	100,000	100,000	100,000	-
Net investment income	200	1,416	2,052	636
Total revenues	979,837	1,011,024	968,438	(42,586)
EXPENDITURES				
Bank charges	2,000	100	-	100
Treasurer's fees	12,448	12,448	11,861	587
Bond principal	250,000	17,080	320,000	(302,920)
Interest	798,861	471,983	768,659	(296,676)
Total expenditures	1,063,309	501,611	1,100,520	(598,909)
Revenues in excess (deficit) of expenditures	(83,472)	509,413	(132,082)	(641,495)
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	-	12,230,000	12,230,000
Cost of issuance	-	300,525	-	(300,525)
Repayment of bonds	-	-	(13,020,000)	(13,020,000)
Transfers in (out)	-	(656,464)	(1,299,726)	(643,262)
Total other financing sources (uses)	-	(355,939)	(2,089,726)	(1,733,787)
Net change in fund balance	\$ (83,472)	\$ 153,474	\$ (2,221,808)	\$ (2,375,282)
Fund balance, beginning of year			2,913,436	
Fund balance, end of year			\$ 691,628	

See independent auditor's report.