VISTA RIDGE
METROPOLITAN DISTRICT
Weld County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2014

DRAFT 7/9/2015

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position – Governmental Activities	3
Statement of Activities – Governmental Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	8
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Conservation Trust Fund	9
Notes to the Financial Statements	10
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	27
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Projects Fund	28
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	29
Schedule of Debt Service Requirements to Maturity	30

DRAFT 7/9/2015

SCHILLING & COMPANY, INC.
Certified Public Accountants

P.O. Box 631579
Highlands Ranch, CO 80163
Phone: 720.348.1086
Fax: 720.348.2920

Independent Auditor's Report

Board of Directors
Vista Ridge Metropolitan District
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Vista Ridge Metropolitan District (District) as of and for the year ended December 31, 201, 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.

DRAFT 7/9/2015

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 Vista Ridge Metropolitan District, as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparisons of the General Fund and Conservation Trust 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 not presented the management's discussion and analysis that governmental 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 District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents 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 it.

Highlands Ranch, Colorado
July _____, 2015

DRAFT 7/9/2015

BASIC FINANCIAL STATEMENTS

DRAFT 7/9/2015

VISTA RIDGE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2014

ASSETS	
Cash and investments - unrestricted	$ 926,989
Cash and investments - restricted	894,598
Cash with County Treasurer	21,245
Accounts receivable	31,780
Property taxes receivable	2,963,993
Prepaid expenses	17,209
Capital assets, being depreciated, net of accumulated depreciation	825,387
Total assets	5,681,201
DEFERRED OUTFLOWS OF RESOURCES	
Loss on bond refunding, net of amortization	1,486,463
Total deferred outflows of resources	1,486,463
LIABILITIES	
Accounts payable	51,672
Accrued interest payable	133,619
Bonds and advances payable	
Due within one year	4,486,845
Due within more than one year	39,725,007
Total liabilities	44,397,143
DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes	2,963,993
Total deferred inflows of resources	2,963,993
NET POSITION	
Restricted	806,424
Unrestricted	(40,999,896)
Total net position	$ (40,193,472)

DRAFT 7/9/2015

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

VISTA RIDGE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2014

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
General government	$ 580,225	$ 95,716	$ 76,623	$ (407,886)
Interest and fiscal charges	2,187,614	-	-	(2,187,614)
	$ 2,767,839	$ 95,716	$ 76,623	(2,595,500)

General revenues:	
Taxes:	
Property taxes	2,906,797
Specific ownership taxes	244,735
Interest income	6,249
Other	2,748
Total general revenues	3,160,529
Change in net position	565,029
Net position - Beginning	(40,758,501)
Net position - Ending	$ (40,193,472)

DRAFT 7/9/2015

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

VISTA RIDGE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	General	Conservation Trust	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and investments - unrestricted	$ 400,725	$ -	$ -	$ 526,264	$ 926,989
Cash and investments - restricted	-	110,718	783,880	-	894,598
Cash with County Treasurer	-	-	21,245	-	21,245
Accounts receivable	31,780	-	-	-	31,780
Property tax receivable	768,843	-	2,195,150	-	2,963,993
Prepaid expenditures	17,209	-	-	-	17,209
TOTAL ASSETS	$ 1,218,557	$ 110,718	$ 3,000,275	$ 526,264	$ 4,855,814
LIABILITIES					
Accounts payable	$ 47,124	$ -	$ 1,800	$ 2,748	$ 51,672
TOTAL LIABILITIES	47,124	-	1,800	2,748	51,672
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	768,843	-	2,195,150	-	2,963,993
Deferred revenue	13,312	-	-	-	13,312
Total deferred inflows of resources	782,155	-	2,195,150	-	2,977,305
FUND BALANCES					
Fund Balances:					
Nonspendable for prepaid items	17,209	-	-	-	17,209
Restricted for emergencies	26,000	-	-	-	26,000
Restricted for debt service	-	-	803,325	-	803,325
Restricted for capital projects	-	110,718	-	-	110,718
Committed for capital replacements	-	-	-	523,516	523,516
Assigned for subsequent year's expenditures	73,932	-	-	-	73,932
Unassigned	272,137	-	-	-	272,137
TOTAL FUND BALANCES	389,278	110,718	803,325	523,516	1,826,837
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,218,557	$ 110,718	$ 3,000,275	$ 526,264	

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

Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.	
Capital assets, net of accumulated depreciation	825,387
	825,387
Revenue deferred in the funds because it is not available to pay for current period expenditures is earned in the government-wide statements.	13,312
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 refunding bonds payable	(41,401,845)
Developer advances payable	(665,475)
Bond premium, net of accumulated amortization	(521,556)
Cost of refunding, net of accumulated amortization	1,486,463
Accrued interest payable - A and B Bonds	(133,619)
Accrued interest payable - C and D Bonds	(1,622,976)
	(42,859,008)
Net position of governmental activities	$ (40,193,472)

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

DRAFT 7/9/2015

VISTA RIDGE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2014

	General	Conservation Trust	Debt Service	Capital Projects	Total Governmental Funds
REVENUES					
Property tax	$ 754,007	$ -	$ 2,152,790	$ -	$ 2,906,797
Specific ownership tax	-	-	244,735	-	244,735
Conservation Trust proceeds	-	24,414	-	-	24,414
Reimbursements	101,868	-	-	-	101,868
System development fees	-	-	52,209	-	52,209
Miscellaneous	2,748	-	-	-	2,748
Net investment income	643	113	4,955	538	6,249
Total revenues	859,266	24,527	2,454,689	538	3,339,020
EXPENDITURES					
Current					
Accounting and audit	24,032	-	-	-	24,032
County Treasurer's fees	11,329	-	-	-	11,329
Election	730	-	-	-	730
Insurance and bonds	17,844	-	-	-	17,844
Legal	7,633	-	-	-	7,633
Management	25,921	-	-	-	25,921
Statutory compliance	262	-	-	-	262
Fence repair and maintenance	24,798				
Field supervision	14,643				
Landscape maintenance	147,107	-	-	-	147,107
Locate services	3,179	-	-	-	3,179
Miscellaneous	4,223	-	-	-	4,223
Monument lighting	6,222	-	-	-	6,222
Pump station operations	35,382	-	-	-	35,382
Snow removal	14,915	-	-	-	14,915
Trail repairs and maintenance	-	-	-	-	-
Tree and Shrub replacement	42,018	-	-	-	42,018
Utilities	10,926	-	-	-	10,926
Water lease	28,238	-	-	-	28,238
Water quality	10,603	-	-	-	10,603
Water rights	7,609	-	-	-	7,609
Non-potable water management fee	24,604	-	-	-	24,604
Debt service					
Principal - bonds	-	-	817,609	-	817,609
Repayment of developer advances	-	-	52,209	-	52,209
Interest and fiscal charges	-	-	1,733,267	-	1,733,267
Capital outlay	-	-	-	2,748	2,748
Total expenditures	462,218	-	2,603,085	2,748	3,028,610
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	397,048	24,527	(148,396)	(2,210)	270,969
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	250,000	75,000	325,000
Transfers (out)	(325,000)	-	-	-	(325,000)
Total Other Financing Sources (Uses)	(325,000)	-	250,000	75,000	-
NET CHANGE IN FUND BALANCES	72,048	24,527	101,604	72,790	270,969
FUND BALANCES - BEGINNING OF YEAR	317,230	86,191	701,721	450,726	1,555,868
FUND BALANCES - END OF YEAR	$ 389,278	$ 110,718	$ 803,325	$ 523,516	$ 1,826,837

DRAFT 7/9/2015

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

VISTA RIDGE 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, 2014

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	$ 270,969
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	2,748
Depreciation	(118,007)
	(115,259)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in deferred revenue	(6,152)
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 - A and B Bonds	2,625
Change in accrued interest payable - C and D Bonds	(397,495)
Amortization of deferred charge on refunding	(91,935)
Amortization of bond premium	32,458
	(454,347)
Repayment of the principal of bonds payable is an expenditure in the governmental funds, however, the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal payments - bonds payable	817,609
Repayment of developer advances	52,209
	869,818
Change in net position - Governmental activities	$ 565,029

DRAFT 7/9/2015

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

VISTA RIDGE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2014

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	$ 753,298	$ 754,007	$ 709
Reimbursements:			
Golf course	84,000	78,841	(5,159)
Other entities	17,500	23,027	5,527
Net investment income	750	643	(107)
Other	-	2,748	2,748
Total Revenues	855,548	859,266	3,718
EXPENDITURES			
Administrative:			
Accounting and audit	32,500	24,032	8,468
County Treasurer's fees	11,299	11,329	(30)
Election	20,000	730	19,270
Insurance and bonds	17,700	17,844	(144)
Legal	20,000	7,633	12,367
Management	44,000	25,921	18,079
Statutory compliance	-	262	(262)
Operations:			
Engineering	1,000	-	1,000
Fence repair and maintenance	40,000	24,798	15,202
Field supervision	20,000	14,643	5,357
Landscape maintenance	157,000	147,107	9,893
Locate services	6,000	3,179	2,821
Miscellaneous	6,000	4,223	1,777
Monument lighting	12,000	6,222	5,778
Project management	-		-
Pump station operations	60,000	35,382	24,618
Snow removal	30,000	14,915	15,085
Tree and shrub replacement	35,000	42,018	(7,018)
Utilities	12,000	10,926	1,074
Water lease	91,000	28,238	62,762
Water quality	12,000	10,603	1,397
Water rights	20,000	7,609	12,391
Non-potable water management fee	25,082	24,604	478
Contingency and emergency reserves	25,666	-	25,666
Total Expenditures	698,247	462,218	236,029
EXCESS OF REVENUES OVER EXPENDITURES	157,301	397,048	239,747
OTHER FINANCING USES			
Transfers out	(275,000)	(325,000)	(50,000)
Total Other Financing Uses	(275,000)	(325,000)	(50,000)
NET CHANGE IN FUND BALANCE	(117,699)	72,048	189,747
FUND BALANCE - BEGINNING OF YEAR	208,298	317,230	108,932
FUND BALANCE - END OF YEAR	$ 90,599	$ 389,278	$ 298,679

DRAFT 7/9/2015

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

VISTA RIDGE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
Year Ended December 31, 2014

	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Conservation Trust entitlement	$ 15,200	$ 24,414	$ 9,214
Net investment income	50	113	63
Total Revenues	15,250	24,527	9,277
EXPENDITURES	-	-	-
NET CHANGE IN FUND BALANCE	15,250	24,527	9,277
FUND BALANCE - BEGINNING OF YEAR	75,634	86,191	10,557
FUND BALANCE - END OF YEAR	$ 90,884	$ 110,718	$ 19,834

DRAFT 7/9/2015

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

NOTE 1 - DEFINITION OF REPORTING ENTITY

Vista Ridge Metropolitan District (District), a quasi-municipal corporation, was organized on January 8, 2001, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Weld County, Colorado, entirely within the Town of Erie (the Town). The District was established to provide, operate, finance and maintain water and sewer services, streets, safety controls, street lighting, landscaping, storm drainage, television relay facilities, park and recreation, and transportation improvements.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

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.

The statement of net position reports all financial and capital resources of the District, with the difference between the assets and deferred outflows of resources and, liabilities and deferred inflows of resources 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

DRAFT 7/9/2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. The major sources of revenue susceptible to accrual are property taxes. 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 paid.

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 Conservation Trust Fund (a Special Revenue Fund) is used to account for financial resources to be used for the maintenance of or acquisition and construction of parks and recreational facilities.

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.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

DRAFT 7/9/2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supplementary appropriations approved by the District modified the appropriations from $2,581,193 to $2,608,258 in the Debt Service Fund and $0 to $150,000 in the Capital Projects Fund.

Pooled Cash and Investments

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

Investments are carried at fair value.

Property Taxes

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

Capital Assets

The policy of the District requires that after construction, warranty and final acceptance by the Town, the District will dedicate all public infrastructure, except for certain trails and the non-potable water systems, to the Town for perpetual maintenance. The capital assets held by the District are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an 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. Assets included in construction in progress that the District will convey to other entities are not included in the calculation of invested in capital assets, net of related debt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

DRAFT 7/9/2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Trails	20 years
Non potable water system	15 years

Development Fees

In 2014, development fees of $14,071 per gross acre are charged against properties within the District. The development fee is due at the time of issuance of a building permit. The District records the development fees as revenue when received.

Bond Issue Costs and Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed as in the year they occur.

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

Cost of Bond Refunding

In the government-wide financial statements, the deferred cost of bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense, and the unamortized deferred cost is reflected as a deferred outflow of resources in the Statement of Net Position.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on 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

DRAFT 7/9/2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2014 are classified in the accompanying financial statement as follows:

Cash and investments - unrestricted	$ 926,989
Cash and investments - restricted	894,598
	$ 1,821,587

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

Deposits with financial institutions	$ 25,906
Investments	1,795,681
	$ 1,821,587

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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, 2014, the District's cash deposits had a bank balance of $44,598 and carrying balance of $25,906.

DRAFT 7/9/2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

The District has adopted a formal investment policy authorizing investments in accordance with State statutes.

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

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

Interest Rate Risk

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

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

Investment	Maturity	Fair Value
Colorado Liquid Asset Trust (Colotrust)	Weighted average under 60 days	$ 1,795,681

COLOTRUST

During 2014, the District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. A designated custodial bank serves as custodian for COLOTRUST's portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for COLOTRUST's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. As of December 31, 2014 the District had $1,795,681 invested in COLOTRUST. Information related to COLOTRUST, including the annual audited financial statements, can be found at the COLOTRUST website at www.colotrust.com. COLOTRUST is rated AAAm by Standard & Poor's.

DRAFT 7/9/2015

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer however the District invests primarily in local government investment pools, which is not subject to concentration of credit risk.

Restricted Cash and Investments

The restricted cash and investments in the Conservation Trust Fund in the amount of $110,718 are to be used exclusively for capital asset construction and maintenance in accordance with the Conservation Trust Fund.

At December 31, 2014, the District reports restricted cash and investments in the Debt Service Fund in the amount of $783,880 to be used exclusively for debt service requirements (see Note 5).

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2014 follows:

	Balance at December 31, 2013	Increases	Decreases	Balance at December 31, 2014
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 2,748	$ -	2,748
Capital assets, being depreciated:				
Trails	1,026,812	-	-	1,026,812
Nonpotable water system	1,000,000	-	-	1,000,000
Total capital assets, being depreciated	2,026,812	-	-	2,026,812
Less accumulated depreciation for:				
Trails	386,164	51,340	-	437,504
Nonpotable water system	700,002	66,667	-	766,669
Total accumulated depreciation	1,086,166	118,007	-	1,204,173
Total capital assets being depreciated, net	940,646	(118,007)	-	822,639
Total capital assets, net	$ 940,646	$ (115,259)	$ -	$ 825,387

Depreciation expense is charged to the general government function/program.

DRAFT 7/9/2015

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in general long-term obligations for the year ended December 31, 2014:

	Balance at December 31, 2014	Issuances	Retirements	Balance at December 31, 2014	Due Within One Year
Bonds payable:					
Series 2006A	$ 33,260,000	$ -	$ (630,000)	$ 32,630,000	$ 660,000
Series 2006B	4,945,000	-	-	4,945,000	-
Series 2006C	2,303,759	-	-	2,303,759	2,303,759
Series 2006D	414,008	-	(140,957)	273,051	273,051
Series 2008C	1,121,768	-	-	1,121,768	1,121,768
Series 2008D	174,919	-	(46,652)	128,267	128,267
Unpaid interest on C & D Bonds	1,225,481	459,886	(62,391)	1,622,976	-
Developer Advance	717,684	-	(52,209)	665,475	-
Total long-term debt	44,162,619	459,886	(932,209)	43,690,296	4,486,845
Plus bond premium	554,014	-	(32,458)	521,556	31,833
	$ 44,716,633	$ 459,886	$ (964,667)	$ 44,211,852	$ 4,518,678

The details of the District's long-term obligations are as follows:

General Obligation Bonds

$35,000,000 Limited Tax General Obligation Improvement and Refunding Bonds, Series 2006A, dated August 30, 2006 ("Series 2006A Bonds"), consisting of term bonds subject to mandatory sinking fund redemption annually beginning 2011 due December 1, 2040, with interest rates of 3.75% to 5.125%, paid semiannually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2016 and on any date thereafter with no redemption premium for Series 2006A Bonds. The Series 2006A Bonds are payable from pledged revenue, including the District's covenant to levy the required mill levy on all taxable property within the District to pay debt scheduled payments and from development fees and specific ownership tax. The Series 2006A Bonds are subject to a mill levy cap of 42.827 mills, which is subject to certain adjustments resulting from property assessment ratio changes in the future.

$5,000,000 Limited Tax General Obligation Subordinate Refunding Bonds, Series 2006B, dated August 30, 2006 ("Series 2006B Bonds"), consisting of term bonds. On December 1, 2012, the District approved the Fourth Supplemental Trust Indenture which changed the interest rate, optional redemption and mandatory sinking fund provisions and added an extraordinary redemption provision for the Series 2006B Bonds with the consent of the owner of the 2006B Bonds. The 2006B Bonds bear interest at the rate of 6.625% until December 1, 2012, thereafter at 0% until November 30, 2017, and at the rate of 9.5% from December 1, 2017 to the maturity date of the bonds on December 1, 2040. Interest is paid semiannually on June 1 and December 1. The 2006B Bonds are subject to redemption prior to maturity at any time on and after December 1, 2021, at the option of the District, at varying redemption prices outlined in the Fourth Supplemental Trust Indenture. The Series 2006B Bonds maturing on December 1, 2040 are subject to mandatory redemption prior to maturity from sinking fund installments in varying amounts, to be paid by the District on each

DRAFT 7/9/2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

December 1 commencing on December 1, 2022. At such time as there is an amount at least equal to $100,000 on deposit in the Surplus Property Tax Account after the transfers of funds in accordance with the Trust Indenture, such amount shall be used by the trustee on December 1 of any applicable year to redeem Series 2006B Bonds at a redemption price equal to 100% of the principal amount of such Series 2006B Bonds or portion thereof to be redeemed, without premium, provided, however, that at the time of such redemption, annual property taxes projected to be collected by the District based on the current certified assessed valuation of the District multiplied by the Maximum Mill Levy utilizing a collection rate that is the lesser of the average of the previous two fiscal years of tax collections or 95%, are at least equal to 1.05 times the Maximum Annual Debt Service on the Series 2006A and 2006B Bonds.

The bonds are payable from pledged revenue, including the District's covenant to levy the required mill levy on all taxable property within the District to pay scheduled debt payments and from development fees and specific ownership tax.

The Series 2006B Bonds are to be converted to Senior Bonds and rank on a parity with the Series 2006A Bonds and all other Senior Bonds outstanding at such time as the annual property taxes and specific ownership taxes projected to be collected by the District based upon the then most current assessed value of all taxable property of the District (as provided by the Weld County Assessor's office) multiplied by the mill levy cap are at least equal to 1.10 times maximum annual debt service on all outstanding Senior Bonds and the outstanding Series 2006B Bonds. Using the assessed valuation for the 2014 collection year, the calculation yields a debt coverage of .78.

$3,060,115 Subordinate Non-Ad Valorem Tax Revenue Bonds, Series 2006C, dated August 30, 2006 ("Series 2006C Bonds"), consisting of term bonds subject to mandatory sinking fund redemption annually beginning 2008 due December 1, 2040, with an interest rate of 8%, paid annually on and December 1. The Series 2006C Bonds are subject to redemption prior to maturity, at the option of the District, with 30 days written notice to the Trustee, in whole or in part on any date, at par, plus accrued interest thereon to the date of redemption. The Series 2006C Bonds are also subject to extraordinary mandatory redemption prior to maturity from excess revenues transferred to the Bond Fund from the Surplus Fund on the Interest Payment Date next succeeding the date of transfer at a redemption price equal to the principal amount redeemed, plus accrued interest to the redemption date.

On December 1, 2010, 2011, 2012 and 2013, the District did not have sufficient funds available to pay the principal and interest due on the bonds. The unpaid principal balance from each year has been reflected on the debt repayment schedules as principal due in 2014. The unpaid interest balance has been reflected as a component of bonds payable - due in more than one year and is compounded semi-annually. Unpaid balances on the bonds are not considered an event of default.

DRAFT 7/9/2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

$678,481 Subordinate Non-Ad Valorem Tax Revenue Bonds, Series 2006D, dated August 30, 2006 ("Series 2006D Bonds"), consisting of term bonds subject to mandatory sinking fund redemption annually beginning 2013 due December 1, 2040, with an interest rate of 10%, paid annually on December 1. The Series 2006D Bonds are subject to redemption prior to maturity, at the option of the District, with 30 days written notice to the Trustee, in whole or in part on any date, at par, plus accrued interest thereon to the date of redemption. The Series 2006D Bonds are also subject to extraordinary mandatory redemption prior to maturity from excess revenues transferred to the Bond Fund from the Surplus Fund on the Interest Payment Date next succeeding the date of transfer at a redemption price equal to the principal amount redeemed, plus accrued interest to the redemption date.

$1,121,768 Subordinate Non-Ad Valorem Tax Revenue Bonds, Series 2008C, dated February 25, 2008 ("Series 2008C Bonds"), were issued, consisting of term bonds subject to redemption prior to maturity, at the option of the District, with 30 days written notice to the Trustee, in whole or in part on any date, at par, plus accrued interest thereon to the date of redemption. Interest accrues on the tax-exempt Series 2008C Bonds at 9% per annum, compounded semi-annually. However, interest payments shall not occur until such time as funds on deposit in the Non-Property Tax Account are equal to at least $800,000.

The Series 2008C Bonds are also subject to extraordinary mandatory redemption prior to maturity from excess revenues transferred to the Bond Fund from the Surplus Fund on the Interest Payment Date next succeeding the date of transfer at a redemption price equal to the principal amount redeemed, plus accrued interest to the redemption date. However, such extraordinary mandatory redemption payments shall not occur until such time as the annual Property Taxes projected to be collected by the District based upon the assessed value of all taxable property of the District set forth in the preliminary assessment roll provided by the Weld County Assessor's Office multiplied by the Maximum Mill Levy are at least equal to 1.05 times the Maximum Annual Debt Service on the Series 2006A Bonds and Series 2006B Bonds.

On December 1, 2010-2014, the District did not have sufficient funds available to pay the interest due on the 2008C Bonds. The unpaid interest balance has been reflected as a component of bonds payable - due in more than one year and is compounded semi-annually. Unpaid balances on the bonds are not considered an event of default.

$251,669 Taxable Subordinate Non-Ad Valorem Tax Revenue Bonds, Series 2008D, dated February 25, 2008 ("Series 2008D Bonds"), consisting of term bonds subject to redemption prior to maturity, at the option of the District, with 30 days written notice to the Trustee, in whole or in part on any date, at par, plus accrued interest thereon to the date of redemption. Interest accrues on the taxable Series 2008D Bonds at 12% per annum, compounded semiannually.

DRAFT 7/9/2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Creation and Definition of Funds

Pursuant to the Indenture for the Series 2006A, 2006B, 2006C, and 2006D Bonds, dated August 1, 2006, the Trustee has established a "Revenue Fund", within which two sub-accounts have also been established: a "Property Tax Account" and a "Non-Property Tax Account"; a "Bond Fund", within which sub-accounts have also been established for each bond series outstanding; a "Principal Account" and an "Interest Account"; a "Surplus Fund", within which two subaccounts have also been established: a "Surplus Property Tax Account" and a "Surplus Non-Property Tax Account"; a "Reserve Fund" and a "Facility Fund". Property tax revenues are to be deposited to the Property Tax Account of the Bond Fund. Other revenues, including those collected from Specific Ownership Taxes, System Development Fees, Additional System Development Fees, and interest income will be deposited to the Non-Property Tax Account however, the first $1,000,000 of Additional System Development Fees are to be paid to the Developer, and are not pledged to the payment of any of the Bonds or the Subordinate Bonds.

Property Tax Account

The District is to deposit all Property Taxes into the Property Tax Account within five days of receipt thereof and the Trustee is to apply these deposits in the following order of priority on each Bond Payment Date: (i) to pay the required principal on the Series 2006A and 2006B Bonds; (ii) to pay the required interest amounts on the 2006A and 2006B Bonds; (iii) to the credit of the Reserve Funds, any amounts necessary to replenish the Reserve Fund to the minimum reserve fund requirements; (iv) if necessary, replenish the Non-Property Tax Account for prior supplements received for payment of principal and interest on the 2006A and 2006B Bonds; and (v) to the Surplus Property Tax Account, all amounts remaining after the payments and accumulations set forth in (i) through (iv).

Non-Property Tax Account

The District is to deposit all Specific Ownership Taxes, System Development Fees and Additional Development Fees into the Non-Property Tax Account within five days of receipt thereof.

Upon bond issuance, there was a deposit in the Non-Property Tax Account an amount equal to $1,000,000. Upon receipt by the District of Additional System Development Fees required to be deposited in the Non-Property Tax Account, the first $1,000,000 of such Additional System Development Fees deposited to the Non-Property Tax Account shall be paid to the Developer pursuant to the District Bonds Restructure Agreement entered into between the Developer and the District. The Trustee is to apply these deposits in the following order of priority on each Bond Payment Date: (i) to pay the principal and interest on the Series 2006A Bonds, (ii) to pay the principal and interest on the Series 2006B Bonds, and (iii) to the credit of the Non-Property Tax Account of the Surplus Fund, all amounts remaining after the payments and accumulations set forth in (i)-(ii); provided however that funds on deposit in the Non-Property Tax Account shall not be applied to pay debt service on the 2006C or 2008C Bonds until such time as funds on deposit in the Non-Property Tax Account are equal to at least $800,000; further provided that such amount shall be released to the Non-Property Tax Account of the Surplus Fund at such time as the annual Property Taxes

DRAFT 7/9/2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

projected to be collected by the District based upon the assessed value of all taxable property of the District, as set forth in the preliminary assessment roll provided by the Weld County Assessor's Office, multiplied by the Mill Levy Cap are at least equal to one and five hundredths (1.05x) times the Maximum Annual Debt Service on the total of the 2006A and 2006B Bonds and (iv) subject to the requirements of the Non-Property Tax Account described in (iii) above, to the Bond Fund, in the amount necessary, together with all amounts collected from the District pursuant to its imposition of an operations mill levy in order to pay the 2006D Bonds and 2008D Bonds (referred to as Restructure Agreement Revenue), to provide for the payment of principal and interest on the Series 2006D Bonds and the Series 2008D Bonds. Using the December 2014 assessed valuation, the calculation yields a debt coverage of .71. Any amounts on deposit in the Non-Property Tax Account in excess of the $800,000 deposit required, shall be transferred to the Surplus Non-Property Tax Account.

Surplus Property Tax Account

The Property Tax Account of the Surplus Fund shall be first used to the extent necessary to pay the principal and interest due on the 2006A Bonds; secondly, used to pay the principal and interest on the 2006B, 2006C, 2006D, 2008C and 2008D Subordinate Bonds on an annual basis, subject to the discretion of the Board; third, used to pay any additional operating advances made by the Developer to the District. The Board's obligation to raise property tax revenue sufficient to pay principal and interest on the Subordinate Bonds shall be from year to year only and shall not constitute a multiple-fiscal year direct or indirect debt or other financial obligation of the District.

Surplus Non-Property Tax Account

The Non-Property Tax Account of the Surplus Fund shall be first used to the extent necessary to pay the principal and interest due on the Series 2006C Bonds; second, used to the extent necessary to the pay the principal and interest due on the Series 2006D Bonds; third, used to the extent necessary to the pay the principal and interest due on the Series 2008C and 2008D Bonds; and fourth, used to pay any operating advances made by the Developer to the District.

Reserve Fund

The Series 2006A Bonds are further secured by the Reserve Fund which is to be funded upon issuance of the Bonds in the amount of the Required Reserve equal to $500,000. The Reserve shall be transferred to the Facility Fund at such time as the annual Property Taxes projected to be collected by the District based upon the current certified assessed valuation of the District multiplied by the Mill Levy Cap utilizing a collection rate that is the lesser of the average of the previous two fiscal years of tax collections or 95%, are at least equal to one and five hundredths (1.05x) times the Maximum Annual Debt Service on the Series 2006A Bonds and one (1.00x) times the Maximum Annual Debt Service on the Series 2006A and Series 2006B Bonds combined. Using the assessed valuation for 2014 collection year, the calculation yields a debt coverage of .90 on 2006A Bonds and .68 and on 2006A and 2006B combined.

DRAFT 7/9/2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

	Principal	Interest	Total
2015	$ 4,486,845	$ 3,654,167	$ 8,141,012
2016	690,000	1,577,031	2,267,031
2017	715,000	1,548,569	2,263,569
2018	745,000	1,988,850	2,733,850
2019	780,000	1,957,188	2,737,188
2020-2024	4,605,000	9,155,990	13,760,990
2025-2029	6,280,000	7,794,940	14,074,940
2030-2034	8,560,000	5,880,040	14,440,040
2035-2039	11,705,000	3,086,039	14,791,039
2040	2,835,000	175,044	3,010,044
	$ 41,401,845	$ 36,817,858	$ 78,219,703

The District adopted its 2015 budget in the last quarter of 2014 which indicates the District does not anticipate revenue being available to make, and so is not budgeting to make the scheduled principal and interest payments on the 2006C Bonds or the 2008C Bonds.

Advances

On August 30, 2006, the District entered into a District Bond Restructure Agreement with Vista Ridge LLC (VRLLC) and Vista Ridge Development Corporation (VRDC) in order to set forth consideration for the full payment of outstanding principal and interest on the Series 2004 Bonds and refunding of the Series 2006 Subordinate Bonds. Proceeds from the Series 2006C bonds were utilized to partially pay such bonds. The remaining $1,000,000 outstanding principal of the Series 2004 Bonds and Series 2006 Bonds was paid by the Developer. The District has agreed to make a deferred payment totaling $1,000,000 to VRLLC from the collection of additional system development fees. As of December 31, 2014, the balance due to VRLLC from additional system development fees is $665,475 and is reflected as a non interest bearing developer advance.

Authorized Debt

At elections held on November 7, 2000 and November 6, 2001, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $122,695,000 at an interest rate not to exceed 12% per annum.

DRAFT 7/9/2015

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

At December 31, 2014, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on 11/7/2000	Amount Authorized on 11/6/2001	Total Amount Authorized	Authorization Used	Authorized but Unissued Debt Remaining
Street improvements	$ 16,515,000	$ 4,000,000	$ 20,515,000	$ (20,491,932)	$ 23,068
Water supply	3,835,000	620,000	4,455,000	(4,400,502)	54,598
Sanitary sewer and storm drainage	4,345,000	500,000	4,845,000	(4,812,499)	32,501
Park and recreation	4,185,000	6,000,000	10,185,000	(9,307,220)	877,780
Operations and maintenance	2,695,000	-	2,695,000	(930,150)	1,764,850
Debt refunding	35,015,000	4,985,000	40,000,000	(38,500,000)	1,500,000
Intergovernmental contract	35,015,000	4,985,000	40,000,000	-	40,000,000
	$ 101,605,000	$ 21,090,000	$ 122,695,000	$ (78,442,303)	$ 44,252,697

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

Debt to Assessed Valuation Ratio

As of December 31, 2014, the District's tax supported obligation debt (Series 2006A & 2006B Bonds) of $37,575,000 to assessed valuation of $51,256,220 is 73.31%.

NOTE 6 - FUND EQUITY

At December 31, 2014, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of $17,209 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of $26,000 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 11).

The restricted fund balance in the Debt Service Fund in the amount of $803,325 is to be used exclusively for debt service requirements (see Note 5).

The restricted fund balance in the Conservation Trust Fund in the amount of $110,718 is to be used exclusively for capital asset construction and maintenance in accordance with the Conservation Trust Fund.

DRAFT 7/9/2015

NOTE 6 - FUND EQUITY (CONTINUED)

Committed Fund Balance

The committed fund balance in the Capital Projects Fund in the amount of $523,516 is comprised of amounts committed by the Board of Directors by a resolution and transferred was from the General Fund to establish a reserve for future capital repairs and replacements.

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of $73,932 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 net position include amounts that are restricted for use either externally imposed by 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 of $678,568 as of December 31, 2014 as follows:

Restricted:		
Emergencies	$	26,000
Debt service		669,706
Capital projects		110,718
	$	806,424

The District's unrestricted net position as of December 31, 2014 totaled $(40,193,472). This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities.

NOTE 8 - INTERFUND AND OPERATING TRANSFERS

The transfer of $200,000 from the General Fund to the Debt Service Fund was to assist in the bond principal and interest payments on the 2006D and 2008D Bonds. The transfer of $75,000 from the General Fund to the Capital Projects Fund was to set aside monies for capital replacements.

NOTE 9 - RELATED PARTIES

The Developer of the property which constitutes the District is Vista Ridge Development Corporation, LLC (Developer). One of the members of the Board of Directors of the District is an employee, owner or associated with the Developer or its management and may have conflicts of interest in dealing with the District. The Developer, through Vista Ridge LLC and Vista Ridge Development Corporation, owns 100% of the Series 2008C Bonds and Series 2008D Bonds.

DRAFT 7/8/2015

NOTE 9 - RELATED PARTIES (CONTINUED)

Service Agreement for Project Management and Consulting Services

On March 19, 2009, the District entered into a Service Agreement for Project Management and Consulting Services with Marathon Land Company ("Marathon"), an entity which cooperates with the Developer on development in the District, by which Marathon will provide the specified services to the District on a time and materials basis. The President of Marathon also serves as President of the Board of Directors of the District. During 2014, the District made no payments to Marathon Land Company for services rendered under the agreement.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 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 did not exceed 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 that the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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.

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.

DRAFT 7/9/2015

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

On November 7, 2000, the District voters passed an election question to increase property taxes annually, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect and spend all revenue of the District without regard to any limitations under TABOR.

DRAFT 7/9/2015

SUPPLEMENTAL INFORMATION

DRAFT 7/9/2015

VISTA RIDGE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax	$ 2,150,768	$ 2,150,768	$ 2,152,790	$ 2,022
Specific ownership taxes	204,323	204,323	244,735	40,412
System development fees	75,000	75,000	52,209	(22,791)
Net investment income	3,000	3,000	4,955	1,955
Total Revenues	2,433,091	2,433,091	2,454,689	21,598
EXPENDITURES				
Principal - bonds	630,000	657,065	817,609	(160,544)
Interest - bonds	1,834,931	1,834,931	1,697,322	137,609
Repayment of developer advances	75,000	75,000	52,209	22,791
Paying agent and other fees	5,000	5,000	3,600	1,400
County treasurer's fees	32,262	32,262	32,345	(83)
Contingency	4,000	4,000	-	4,000
Total Expenditures	2,581,193	2,608,258	2,603,085	5,173
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(148,102)	(175,167)	(148,396)	26,771
OTHER FINANCING SOURCES				
Transfers in	200,000	200,000	250,000	50,000
Total Other Financing Sources	200,000	200,000	250,000	50,000
NET CHANGE IN FUND BALANCE	51,898	24,833	101,604	76,771
FUND BALANCE - BEGINNING OF YEAR	673,500	673,500	701,721	28,221
FUND BALANCE - END OF YEAR	$ 725,398	$ 698,333	$ 803,325	$ 104,992

DRAFT 7/9/2015

VISTA RIDGE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2014

	Original Adopted Budget	Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Net investment income	$ 500	$ 500	$ 538	$ 38
Total Revenues	500	500	538	38
EXPENDITURES	-	150,000	2,748	147,252
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	500	(149,500)	(2,210)	147,290
OTHER FINANCING SOURCES				
Transfers in	75,000	75,000	75,000	-
Total Other Financing Sources	75,000	75,000	75,000	-
NET CHANGE IN FUND BALANCE	75,500	(74,500)	72,790	147,290
FUND BALANCE - BEGINNING OF YEAR	450,000	450,000	450,726	726
FUND BALANCE - END OF YEAR	$ 525,500	$ 375,500	$ 523,516	$ 148,016

DRAFT 7/9/2015

OTHER INFORMATION

DRAFT 7/9/2015

VISTA RIDGE METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2014

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mill Levy		Property Taxes		Percentage Collected to Levied
		Operations	Debt Service	Levied	Collected	
2006	$ 25,627,000	10.285	44.047	$ 1,392,367	$ 1,391,445	99.9%
2007	$ 35,041,530	15.368	43.878	$ 2,076,071	$ 2,075,775	100.0%
2008	$ 48,026,400	15.000	42.827	$ 2,777,223	$ 2,777,019	100.0%
2009	$ 51,467,030	15.000	42.827	$ 2,976,183	$ 2,965,739	99.6%
2010	$ 49,976,400	15.000	42.827	$ 2,889,900	$ 2,867,666	99.2%
2011	$ 50,481,310	15.000	42.827	$ 2,919,183	$ 2,916,438	99.9%
2012	$ 49,265,630	15.000	42.827	$ 2,848,883	$ 2,793,275	98.0%
2013	$ 49,123,880	15.000	42.827	$ 2,840,686	$ 2,835,841	99.8%
2014	$ 50,219,898	15.000	42.827	$ 2,904,066	$ 2,906,797	100.1%
Estimated for year ending December 31, 2015	$ 51,256,220	15.000	42.827	$ 2,963,993		

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.

DRAFT 7/9/2015

VISTA RIDGE METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2014

Year Ending December 31,	$35,000,000 Limited Tax General Obligation Improvement and Refunding Bonds, Series 2006A Dated August 30, 2006 Interest Rate 3.75% to 5.125% Principal Due December 1 Interest Due June 1 and December 1		
	Principal	Interest	Total
2015	$ 660,000	$ 1,603,431	$ 2,263,431
2016	690,000	1,577,031	2,267,031
2017	715,000	1,548,569	2,263,569
2018	745,000	1,519,075	2,264,075
2019	780,000	1,487,413	2,267,413
2020	815,000	1,448,413	2,263,413
2021	860,000	1,407,663	2,267,663
2022	900,000	1,364,663	2,264,663
2023	945,000	1,319,663	2,264,663
2024	995,000	1,272,413	2,267,413
2025	1,045,000	1,222,663	2,267,663
2026	1,095,000	1,170,413	2,265,413
2027	1,150,000	1,115,663	2,265,663
2028	1,205,000	1,058,163	2,263,163
2029	1,270,000	997,913	2,267,913
2030	1,330,000	934,413	2,264,413
2031	1,390,000	874,563	2,264,563
2032	1,455,000	812,013	2,267,013
2033	1,525,000	739,263	2,264,263
2034	1,605,000	663,013	2,268,013
2035	1,680,000	582,763	2,262,763
2036	1,765,000	498,763	2,263,763
2037	1,855,000	410,513	2,265,513
2038	1,950,000	315,444	2,265,444
2039	2,050,000	215,506	2,265,506
2040	2,155,000	110,444	2,265,444
	$ 32,630,000	$ 26,269,847	$ 58,899,847

(a) includes unpaid principal payments from prior years
(b) includes unpaid interest payment from prior years

DRAFT 7/9/2015

(continued)

(continued)

$5,000,000 Limited Tax General Obligation Subordinate Refunding Bonds, Series 2006B Dated August 30, 2006 Interest Rate 0% to 9.5% Principal Due December 1 Interest Due June 1 and December 1			$3,060,115 Subordinate Non-Ad Valorem Tax Revenue Bonds, Series 2006C Dated August 30, 2006 Interest Rate 10.00% Principal Due December 1 Interest Due June 1 and December 1		
Principal	Interest	Total	Principal	Interest	Total
$ -	$ -	$ -	$ 2,303,759 (a)	$ 1,245,623 (b)	$ 3,549,382
-	-	-	-	-	-
-	-	-	-	-	-
-	469,775	469,775	-	-	-
-	469,775	469,775	-	-	-
-	469,775	469,775	-	-	-
-	469,775	469,775	-	-	-
20,000	469,775	489,775	-	-	-
20,000	467,875	487,875	-	-	-
50,000	465,975	515,975	-	-	-
55,000	461,225	516,225	-	-	-
85,000	456,000	541,000	-	-	-
95,000	447,925	542,925	-	-	-
135,000	438,900	573,900	-	-	-
145,000	426,075	571,075	-	-	-
190,000	412,300	602,300	-	-	-
205,000	394,250	599,250	-	-	-
250,000	374,775	624,775	-	-	-
280,000	351,025	631,025	-	-	-
330,000	324,425	654,425	-	-	-
365,000	293,075	658,075	-	-	-
430,000	258,400	688,400	-	-	-
470,000	217,550	687,550	-	-	-
545,000	172,900	717,900	-	-	-
595,000	121,125	716,125	-	-	-
680,000	64,600	744,600	-	-	-
$ 4,945,000	$ 8,497,275	$ 13,442,275	$ 2,303,759	$ 1,245,623	$ 3,549,382

DRAFT 7/9/2015

(continued)

(continued)

$678,481 Subordinate Non-Ad Valorem Tax Revenue Bonds, Series 2006D Dated August 30, 2006 Interest Rate 8.00% Principal Due December 1 Interest Due June 1 and December 1						$1,121,768 Subordinate Non-Ad Valorem Tax Revenue Bonds, Series 2008C Dated February 25, 2008 Interest Rate 9.00% Principal Due December 1 Interest Due June 1 and December 1					
Principal		Interest		Total		Principal		Interest		Total	
$ 273,051	(a)	$ 59,115	(b)	$ 332,166		$ 1,121,768	(a)	$ 715,569	(b)	$ 1,837,337	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
-		-		-		-		-		-	
$ 273,051		$ 59,115		$ 332,166		$ 1,121,768		$ 715,569		$ 1,837,337	

DRAFT 7/9/2015

(continued)

(continued)

$251,669 Subordinate Non-Ad Valorem
Tax Revenue Bonds, Series 2008D
Dated February 25, 2008
Interest Rate 12.00%
Principal Due December 1
Interest Due June 1 and December 1

Principal		Interest		Total	Totals Principal	Totals Interest	Totals Total
$ 128,267	(a)	$ 30,429	(b)	$ 158,696	$ 4,486,845	$ 3,654,167	$ 8,141,012
-		-		-	690,000	1,577,031	2,267,031
-		-		-	715,000	1,548,569	2,263,569
-		-		-	745,000	1,988,850	2,733,850
-		-		-	780,000	1,957,188	2,737,188
-		-		-	815,000	1,918,188	2,733,188
-		-		-	860,000	1,877,438	2,737,438
-		-		-	920,000	1,834,438	2,754,438
-		-		-	965,000	1,787,538	2,752,538
-		-		-	1,045,000	1,738,388	2,783,388
-		-		-	1,100,000	1,683,888	2,783,888
-		-		-	1,180,000	1,626,413	2,806,413
-		-		-	1,245,000	1,563,588	2,808,588
-		-		-	1,340,000	1,497,063	2,837,063
-		-		-	1,415,000	1,423,988	2,838,988
-		-		-	1,520,000	1,346,713	2,866,713
-		-		-	1,595,000	1,268,813	2,863,813
-		-		-	1,705,000	1,186,788	2,891,788
-		-		-	1,805,000	1,090,288	2,895,288
-		-		-	1,935,000	987,438	2,922,438
-		-		-	2,045,000	875,838	2,920,838
-		-		-	2,195,000	757,163	2,952,163
-		-		-	2,325,000	628,063	2,953,063
-		-		-	2,495,000	488,344	2,983,344
-		-		-	2,645,000	336,631	2,981,631
-		-		-	2,835,000	175,044	3,010,044
$ 128,267		$ 30,429		$ 158,696	$ 41,401,845	$ 36,817,858	$ 78,219,703

DRAFT 7/9/2015