# HIGH PLAINS METROPOLITAN DISTRICT
(City of Aurora, Colorado)
Financial Statements

Year Ended December 31, 2013

with

Independent Auditors' Report

# C O N T E N T S

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# Independent Auditor's Report

Board of Directors
High Plains Metropolitan District
City of Aurora, Colorado

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the High Plains Metropolitan District, City of Aurora, Colorado, as of and for the year ended December 31, 2013, 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 an opinion 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 opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the High Plains Metropolitan District, City of Aurora, Colorado, as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Other Legal and Regulatory Requirements**

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basis 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 basis financial statements is not affected by the missing information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects and Debt Service Funds were presented for the purpose of additional analysis and were not a required part of the financial statements. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects and Debt Service Funds were the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Yanari Watson McGaughey P.C.

Yanari Watson McGaughey PC

July 28, 2014
Greenwood Village, Colorado

## HIGH PLAINS METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2013

| | General | Capital Projects | Debt Service | Total | Adjustments | Statement of Net Position |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and investments | $ 231,240 | $ - | $ - | $ 231,240 | $ - | $ 231,240 |
| Cash and investments - restricted | - | 30,360 | 630,359 | 660,719 | - | 660,719 |
| Receivable - County Treasurer | 1,142 | - | 3,757 | 4,899 | - | 4,899 |
| Property taxes receivable | 222,807 | - | 718,732 | 941,539 | - | 941,539 |
| Accounts receivable - assessments/late/legal | 28,704 | - | - | 28,704 | - | 28,704 |
| Accounts receivable - other | 709 | 1,481 | - | 2,190 | - | 2,190 |
| Facility fees | - | - | - | - | 8,419,707 | 8,419,707 |
| Prepaid expense | 13,321 | - | - | 13,321 | - | 13,321 |
| Other receivables | - | - | - | - | 42,610 | 42,610 |
| Capital assets not being depreciated | - | - | - | - | 9,958,593 | 9,958,593 |
| Total Assets | $ 497,923 | $ 31,841 | $ 1,352,848 | $ 1,882,612 | 18,420,910 | 20,303,522 |
| LIABILITIES | | | | | | |
| Accounts payable | $ 49,717 | $ - | $ 7,703 | $ 57,420 | - | 57,420 |
| Retainage payable | - | 31,841 | - | 31,841 | - | 31,841 |
| Prepaid assessments | 26,668 | - | - | 26,668 | - | 26,668 |
| Regional mill levy payable | - | - | 99,868 | 99,868 | - | 99,868 |
| Letter of credit fee payable | - | - | - | - | 9,520 | 9,520 |
| Accrued interest on bonds | - | - | - | - | 1,215,421 | 1,215,421 |
| Accrued interest on developer notes | - | - | - | - | 8,512,824 | 8,512,824 |
| Long-term liabilities | | | | | | |
| Developer advances - capital | - | - | - | - | 15,530,600 | 15,530,600 |
| Developer advances - capital | - | - | - | - | 787,397 | 787,397 |
| Developer advances - operations | - | - | - | - | 414,611 | 414,611 |
| Bonds due in more than one year | - | - | - | - | 32,268,761 | 32,268,761 |
| Total Liabilities | 76,385 | 31,841 | 107,571 | 215,797 | 58,739,134 | 58,954,931 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred property taxes | 222,807 | - | 718,732 | 941,539 | - | 941,539 |
| Total Deferred Inflows of Resources | 222,807 | - | 718,732 | 941,539 | - | 941,539 |
| FUND BALANCE | | | | | | |
| Restricted | | | | | | |
| Emergencies | 15,250 | - | - | 15,250 | (15,250) | - |
| Debt service | - | - | 526,545 | 526,545 | (526,545) | - |
| Unassigned | 183,481 | - | - | 183,481 | (183,481) | - |
| Total Fund Balances | 198,731 | - | 526,545 | 725,276 | (725,276) | - |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 497,923 | $ 31,841 | $ 1,352,848 | $ 1,882,612 | | |
| NET POSITION | | | | | | |
| Restricted for: | | | | | | |
| Emergencies | | | | | 15,250 | 15,250 |
| Debt service | | | | | (688,876) | (688,876) |
| Unrestricted | | | | | (38,919,322) | (38,919,322) |
| Total Net Position (Deficit) | | | | | $ (39,592,948) | $ (39,592,948) |

The notes to the financial statements are an integral part of these statements.

## HIGH PLAINS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

| | General | Capital Projects | Debt Service | Total | Adjustments | Statement of Activities |
|---|---|---|---|---|---|---|
| EXPENDITURES | | | | | | |
| Accounting | $ 19,296 | $ - | $ - | $ 19,296 | $ - | $ 19,296 |
| Audit | 6,000 | - | - | 6,000 | - | 6,000 |
| Insurance | 13,204 | - | - | 13,204 | - | 13,204 |
| Legal | 19,228 | - | - | 19,228 | - | 19,228 |
| Miscellaneous expense | 7,025 | - | - | 7,025 | - | 7,025 |
| Treasurer's fees | 3,094 | - | 9,980 | 13,074 | - | 13,074 |
| Treasurer's fees - regional | - | - | 200 | 200 | - | 200 |
| General administration | 4,465 | - | - | 4,465 | - | 4,465 |
| Landscape improvements | 28,061 | - | - | 28,061 | - | 28,061 |
| Landscape contract | 135,344 | - | - | 135,344 | - | 135,344 |
| General contract maintenance | 21,293 | - | - | 21,293 | - | 21,293 |
| Water | 117,833 | - | - | 117,833 | - | 117,833 |
| Professional fees | 31,414 | - | - | 31,414 | - | 31,414 |
| Trash | 32,411 | - | - | 32,411 | - | 32,411 |
| Analytical services | - | - | 1,750 | 1,750 | - | 1,750 |
| Bond principal | - | - | 410,000 | 410,000 | (410,000) | - |
| Bond interest expense | - | - | 1,006,310 | 1,006,310 | 911,397 | 1,917,707 |
| Paying agent fees | - | - | 4,708 | 4,708 | - | 4,708 |
| Letter of credit fees | - | - | 117,848 | 117,848 | (436) | 117,412 |
| Regional mill levy | - | - | 14,049 | 14,049 | - | 14,049 |
| Interest on developer advances | - | - | - | - | 1,220,286 | 1,220,286 |
| Total Expenditures | 438,668 | - | 1,564,845 | 2,003,513 | 1,721,247 | 3,724,760 |
| PROGRAM REVENUES | | | | | | |
| Assessments and fees | 260,903 | - | - | 260,903 | - | 260,903 |
| Working capital fees | 22,500 | - | - | 22,500 | - | 22,500 |
| Total Program Revenues | 283,403 | - | - | 283,403 | - | 283,403 |
| Net Program Income (Expense) | (155,265) | - | (1,564,845) | (1,720,110) | (1,721,247) | (3,441,357) |
| GENERAL REVENUES | | | | | | |
| Property taxes | 206,020 | - | 664,573 | 870,593 | - | 870,593 |
| Regional mill levy | - | - | 13,291 | 13,291 | - | 13,291 |
| Specific ownership taxes | 14,591 | - | 47,069 | 61,660 | - | 61,660 |
| Specific ownership taxes - regional | - | - | 941 | 941 | - | 941 |
| Miscellaneous income | 6,354 | - | - | 6,354 | - | 6,354 |
| Facility fees, interest and late fees | - | - | 864,340 | 864,340 | (340,986) | 523,354 |
| Interest income | - | - | 1,079 | 1,079 | - | 1,079 |
| Total General Revenues | 226,965 | - | 1,591,293 | 1,818,258 | (340,986) | 1,477,272 |
| NET CHANGE IN FUND BALANCES | 71,700 | - | 26,448 | 98,148 | (98,148) | |
| CHANGE IN NET POSITION | | | | | (1,964,085) | (1,964,085) |
| FUND BALANCE/NET POSITION: BEGINNING OF YEAR | 127,031 | - | 500,097 | 627,128 | (38,255,991) | (37,628,863) |
| END OF YEAR | $ 198,731 | $ - | $ 526,545 | $ 725,276 | $ (40,318,224) | $ (39,592,948) |

The notes to the financial statements are an integral part of these statements.

# HIGH PLAINS METROPOLITAN DISTRICT

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

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| REVENUES | | | |
| Property taxes | $ 212,303 | $ 206,020 | $ (6,283) |
| Specific ownership taxes | 13,286 | 14,591 | 1,305 |
| Assessments and fees | 255,912 | 260,903 | 4,991 |
| Working capital fees | 12,000 | 22,500 | 10,500 |
| Miscellaneous income | 2,418 | 6,354 | 3,936 |
| Total Revenues | 495,919 | 510,368 | 14,449 |
| EXPENDITURES | | | |
| Accounting | 18,000 | 19,296 | (1,296) |
| Audit | 5,500 | 6,000 | (500) |
| Insurance | 12,200 | 13,204 | (1,004) |
| Legal | 32,000 | 19,228 | 12,772 |
| Miscellaneous expense | 1,000 | 7,025 | (6,025) |
| Treasurer's fees | 3,185 | 3,094 | 91 |
| General administration | 7,400 | 4,465 | 2,935 |
| Landscape improvements | 24,000 | 28,061 | (4,061) |
| Landscape contract | 152,000 | 135,344 | 16,656 |
| Snow removal | 12,000 | - | 12,000 |
| General contract maintenance | 28,400 | 21,293 | 7,107 |
| Water | 113,000 | 117,833 | (4,833) |
| Professional fees | 26,860 | 31,414 | (4,554) |
| Trash | 33,400 | 32,411 | 989 |
| Reserves | 46,000 | - | 46,000 |
| Contingency | 36,761 | - | 36,761 |
| Emergency reserve | 14,068 | - | 14,068 |
| Total Expenditures | 565,774 | 438,668 | 127,106 |
| NET CHANGE IN FUND BALANCE | (69,855) | 71,700 | 141,555 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | 69,855 | 127,031 | 57,176 |
| END OF YEAR | $ - | $ 198,731 | $ 198,731 |

The notes to the financial statements are an integral part of these statements.

## Note 1: Summary of Significant Accounting Policies

The accounting policies of the High Plains Metropolitan District ("District"), located in City of Aurora, Colorado ("City"), conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

### Definition of Reporting Entity

The District was organized on December 10, 2002 concurrently with Beacon Point Metropolitan District ("Beacon Point") and East Plains Metropolitan District ("East Plains"), as a quasi-municipal organization established under the State of Colorado Special District Act. On March 10, 2006, an Amended and Restated Consolidated Service Plan for the District, East Plains and Beacon Point was approved. The District was established to provide sanitation, water, streets, traffic and safety controls, parks and recreation, and other related improvements for the benefit of the taxpayers and service users within the Districts' boundaries. The District's primary revenues are property taxes. The District is governed by a five member elected Board of Directors.

On April 15, 2010, the District, along with Beacon Point and East Plains, adopted Resolution No. 2010-04-01, Joint Resolution of East Plains, High Plains and Beacon Point Acknowledging and Authorizing the Dissolution of East Plains ("Resolution"). Pursuant to the Resolution, East Plains, High Plains and Beacon Point acknowledged that the purposes for which East Plains was organized have been satisfied and in order to simplify and increase efficiency in provision of improvements and services to High Plains and Beacon Point, it is in the best interests of East Plains, High Plains and Beacon Point, and their respective constituents, for East Plains to seek dissolution and transfer its rights and obligations with respect to the provision of improvements and services to High Plains and Beacon Point, as appropriate. The Resolution authorized East Plains to take the necessary actions to implement the dissolution.

In anticipation of the dissolution, on April 14, 2010, the District entered into two agreements with MS Rialto Blackstone CO, LLC ("MS Rialto") and one agreement with Lennar Colorado, LLC (the "Developer") whereby the District accepted the reimbursement obligations previously held by East Plains with respect to advances made by MS Rialto and/or the Developer for the benefit of the District. (See Note 3)

On July 26, 2010, in anticipation of the dissolution of East Plains, a second Amended and Restated Service Plan ("SARSP") for the District was approved by the City, segregating the rights and responsibilities of the districts. On November 23, 2010 East Plains Metropolitan District was dissolved and all assets or liabilities of East Plains relating to the District were transferred to the District. As a result of the dissolution, the District is responsible for providing the day-to-day operations and administrative management and for constructing, owning, transferring, operating and maintaining any public facilities and services for the benefit of the District and for providing funding for same.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

<u>Recently Adopted Accounting Pronouncements That Could Affect This District</u>

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities.* GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also limits the use of the term deferred to items reported as deferred outflows of resources or deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 although the District elected to early implement GASB Statement 65 in fiscal year 2012.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The District has adopted Statement 61.

Recently Issued Accounting Pronouncements That Could Affect This District
There are no recently issued accounting pronouncements that could affect this District.

Basis of Presentation
The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 *availabl*e 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 fiscal period. The material sources of revenue subject to accrual are property taxes and interest. 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:

> General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. During 2011 the Special Revenue Fund was combined with the General Fund.
>
> Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
>
> Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

<u>Intergovernmental Agreement</u>

On November 3, 2004, the District, along with East Plains and Beacon Point entered into an Amended and Restated Intergovernmental Agreement with the City of Aurora as amended September 26, 2008 by First Amendment (“Service Plan IGA”), as required by the Amended and Restated Consolidated Service Plan. On July 26, 2010 the District entered into a Second Amended and Restated Intergovernmental Agreement (“SARIGA”) concurrent with the approval of the SARSP. Under the SARIGA, the District must obtain the approval of the Aurora City Council prior to any inclusion of property outside of the service area into the boundaries of the District, or any consolidation with any other special district. Prior to the issuance of any privately placed debt, the District shall obtain a certificate from an External Financial Advisor certifying to the reasonableness of the interest rate and the structure. Pursuant to the SARIGA and the SARSP, the District is required to levy a regional mill levy and to remit it to an Aurora Regional Improvement (ARI) Authority or to the City under certain circumstances. At December 31, 2013, the District had a payable to the ARI Authority in the amount of $99,868.

The SARSP requires the District to dedicate certain public improvements to the City of Aurora or other appropriate jurisdiction or owners association for ownership and maintenance. The District is not authorized to operate or maintain any part of the improvements, other than park and recreation improvements, drainage improvements including detention and retention ponds, trickle channels and all necessary or proper equipment or appurtenances thereto, unless the provision of such operation and maintenance is pursuant to an intergovernmental agreement with the City.

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

Assets, Liabilities and Net Position
Fair Value of Financial Instruments
The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2013, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments
The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

Estimates
The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Original Issue Discount
The original issue discount from the Series 2005 A Bonds is being amortized over the respective terms of the bonds using the straight- line method. The original issue discount from the Series 2005 B Bonds is being amortized over the respective terms of the bonds using the interest method. Accumulated amortization of the original issue discount on the Series 2005A bonds and Series 2005 B bonds amounted to $109,349 and $80,333 at December 31, 2013 respectively.

Capital Assets
Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2013.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $ 15,250 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of $526,545 is restricted for the payment of the debt service costs associated with the Series 2005 A and B Bonds (see Note 4).

Unassigned Fund Balance

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

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

| | |
|---|---|
| Statement of net position: | |
| Cash and investments | $ 231,240 |
| Cash and investments – Restricted | 660,719 |
| Total | $ 891,959 |

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

| | |
|---|---|
| Deposits with financial institutions | $ 333,637 |
| Investments – CSAFE | 47,931 |
| Investments – Federated Treasury Money Market | 510,391 |
| | $ 891,959 |

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. 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.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

As of December 31, 2013, the District had the following investments:

The local government investment pool Colorado Surplus Asset Fund Trust (CSAFE), is rated AAAm by Standard and Poor's and the weighted average maturity is under 60 days.. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians' internal records identify the investments owned by CSAFE. The District had $47,931 invested in CSAFE held by a trustee.

Federated Treasury Money Market Fund is a money market fund which invests in U. S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury Obligations. The Federated Treasury Obligation Fund is rated AAAm by Standard & Poor's. As of December 31, 2013, the District had $510,391 invested in the Federated Treasury Obligation Fund.

Custodial and Concentration of Credit Risk
None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk
Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2013 follows:

| | Balance 1/1/2013 | Additions | Deletions | Balance 12/31/2013 |
|---|---|---|---|---|
| Governmental Type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Parks, landscaping | $ 9,958,593 | $ - | $ - | $ 9,958,593 |
| Total capital assets not being depreciated: | 9,958,593 | - | - | 9,958,593 |
| Government type assets, net | $ 9,958,593 | $ - | $ - | $ 9,958,593 |

## Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2013, is as follows:

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds Series 2005A (Series 2005A Bonds)
On April 26, 2005, the District issued $24,000,000 of Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds Series 2005A dated April 1, 2005 ("Series 2005A Bonds"), for the purpose of providing funds to finance costs related to the acquisition, construction and installation of certain improvements and to pay certain costs associated with the formation of the District and the issuance costs of the Series 2005A Bonds. The Series 2005A Bonds bear interest between the rates of 6.125% to 6.25%, payable semiannually on each June 1 and December 1, commencing on June 1, 2005. The Series 2005A Bonds are due December 1, 2035 and are subject to a mandatory sinking fund redemption commencing on December 1, 2009. The Series 2005A Bonds are subject to an early redemption at the option of the District, in whole on any date, or in part on any interest payment date, commencing December 1, 2015 at the redemption price equal to 100% of the principal amount of each Series 2005A Bond or portion thereof redeemed, plus accrued interest thereon to the date of redemption.

The Series 2005A Bonds are secured by Pledged Revenues including ad valorem taxes on all of the taxable property within the District in an amount not in excess of 50 mills until the amount of the Series 2005 A bonds outstanding is less than or equal to 50% of the assessed valuation, at which time the mill levy will no longer be limited to rate, specific ownership taxes and development fees. Development fees are imposed and collected by the District in the amount of $3,500 per single-family residential lot, and $3,500 per 5,000 square feet for any commercial lot. Such development fees are payable by the property owners no later than the date of the issuance of a building permit for the residential or commercial structure on the applicable lot. In the event sufficient development fees are not collected in the normal course, development fees are due from the Developer pursuant to the Prepaid Development Fee Agreement dated April 1, 2005. Under the Prepaid Development Fee Agreement, the Developer has agreed to provide for the payment of certain development fees in advance of the anticipated issuance of building permits for development. In the event the District receives development fees in any semi-annual period in excess of that anticipated in the schedule, such excess payments shall be carried forward and be credited against and reduce the number of fees required to be paid in the next succeeding semi-annual periods. As of December 31, 2013, the District had collected $2,803,500 related to development fees. This amount is in line with the Prepaid Development Fee Agreement's schedule and therefore no liability for prepaid fees existed at December 31, 2013.

On December 1, 2012 the District was unable to fully pay the principal and interest payments as specified in the Trust Indenture dated April 1, 2005, between UMB Bank as successor to American National Bank and the District ("Indenture") and an event of default resulted. However, the District remains in compliance with its covenants under the Indenture with respect to its obligations to impose, the Maximum Mill Levy, along with the other Pledged Revenue for the purposes of repayment of the Bonds.

Revenue Bonds Series 2005B (Series 2005B Bonds)
On April 26, 2005, the District issued $14,555,000 of Revenue Bonds Series 2005B ("Series 2005B Bonds") for the purpose of financing the costs related to the acquisition, construction and installation of certain improvements and to pay certain costs associated with the formation of the District and the issuance of the Series 2005B Bonds. The Series 2005B Bonds bear interest at the rate of 4.375%, payable semiannually on each June 1 and December 1, commencing on June 1, 2005. The Series 2005B Bonds are due December 1, 2015 and are not subject to mandatory sinking fund redemption. The Series 2005B Bonds are not subject to an early redemption at the option of the District. The Series 2005B Bonds are subject to extraordinary mandatory redemption prior to maturity, in whole, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date of redemption as more specifically outlined in the Indenture.

The Series 2005B Bonds are special, limited obligations of the District and payment of the principal and mandatory purchase price and up to 183 days of accrued interest on the Series 2005B Bonds are secured by an irrevocable direct pay letter of credit pursuant to a Letter of Credit Reimbursement Agreement dated April 1, 2005. The Series 2005B Letter of Credit expired on June 10, 2012, subject to earlier termination and extension in accordance with its terms. The District's obligations to the Letter of Credit Bank are secured by the trust estate pledged therefore under a Trust Indenture dated as of April 1, 2005, between the District and the Trustee. The trust estate consists of capitalized interest, revenues of the District from the collection of certain Facilities Fees imposed by the District on the property in the District and a debt service reserve fund. The unused amount of the Series 2005B Letter of Credit was $9,138,822 at December 31, 2013. In May of 2012 the expiration date of the Letter of Credit was extended to December 15, 2015.

On April 20 2005, the Board of Directors of the District established and imposed a Facility Fee for all platted and unplatted property located within the boundaries of the District. The Base Fee is dependent upon lot size. Facility Fees were due and payable to the District on April 26, 2005 however, property owners could elect to pay the Base Fee over time, contingent upon the payment of a Finance Service Fee and Fee Interest. Interest is to accrue at 5.6528%.

As of December 31, 2013, the District had received $5,312,529 of the total Facility Fees to be received. At December 31, 2013, the remaining amount to be received of $8,419,707 is recorded as a receivable in the statement of net position. Amounts are being recorded as received in the fund as there is not a fixed payment schedule.

The debt service reserve fund is required to be maintained at an amount equal to the sum of Series 2005B Bonds interest to come due in the upcoming bond year and 1.25% of the stated amount of Series 2005B Letter of Credit. At December 31, 2013, the debt service reserve fund was maintained in accordance with the Series 2005B Indenture.

Due to the uncertainty of the timing of the principal and interest payments on the Series 2005 A Bonds and Series 2005B Bonds, a schedule of the timing of these payments is not available.

Funding and Reimbursement Agreements

In anticipation of the dissolution of East Plains, on April 14, 2010, the District entered into two agreements with Ms Rialto and one agreement with the Developer whereby the District accepted the reimbursement obligations previously held by East Plains with respect to advances made by MS Rialto and/or the Developer for the benefit of the District. The agreements included:

(1) An Operation Funding and Reimbursement Agreement ("OFRA") with MS Rialto, whereby the District agreed to reimburse MS Rialto for operations and maintenance advances previously made to East Plains for the benefit of the District, in the amount of $243,324 (including interest accrual to date of OFRA), along with additional interest to accrue at 7% per annum, expiring on December 31, 2044. Pursuant to the OFRA, MS Rialto also agreed to provide funding for operations and maintenance expenses of the District as needed for 2010 up to $25,000. Reimbursement under the OFRA is from legally available revenues of the District after payments of debt service and operations and maintenance expenses and is subject to annual appropriation. On November 29, 2010 the District entered into a First Amendment to the OFRA increasing the Anticipated Shortfall Amount to $82,481 and extending the terms of the OFRA to include advances necessary for 2011.

(2) A Capital Funding, Reimbursement and Acquisition Agreement ("CFRAA") with MS Rialto, whereby the District agreed to reimburse MS Rialto for capital advances previously made to East Plains for the benefit of the District, in the amount of $829,639 (inclusive of principal and interest amounts to the date of the CRRAA), along with additional interest to accrue at 7% per annum expiring on December 31, 2044. Pursuant to the CFRAA, MS Rialto also agreed to provide funding for certain construction related expenses of the District as needed in 2010 in the amount of $65,000 and agreed to acquire District improvements from MS Rialto in the event funding becomes available. Reimbursement under the CFRAA is subject to annual appropriation and will only be available to the extent and if the District issues bonds in an amount sufficient to pay for all or part of the reimbursement or acquisition amounts.

(3) A Capital Reimbursement Agreement ("CRA") with the Developer, whereby the District agreed to reimburse the Developer for capital advances previously made to East Plains for the benefit of the District, in the amount of $19,452,810 (inclusive of principal and interest to the date of the CRA and net of any prior reimbursements) along with additional interest to accrue at 7% per annum expiring on December 31, 2044. Reimbursement under the CRA is subject to annual appropriation and will only be available to the extent and if the District issues bonds in an amount sufficient to pay for all or part of the reimbursement or acquisition amounts. Additionally, reimbursement under the CRA has priority over reimbursement under the CFRAA.

Effective as of April 14, 2010, East Plains entered into Release, Satisfaction and Termination Agreements with MS Rialto and the Developer ("Release"), whereby and as a result of the District's acceptance and agreement to repay MS Rialto and the Developer for advances pursuant to the OFRA, and First Amendments thereto, CFRAA and CRA MS Rialto agreed to release East Plains from its reimbursement obligations.

The following is an analysis of changes in long-term debt for the period ending December 31, 2013:

| | Balance 1/1/2013 | Additions | Deletions | Balance 12/31/2013 | Current Portion |
|---|---|---|---|---|---|
| Limited Tax General Obligation Bonds | | | | | |
| Series 2005A | $23,675,000 | $ - | $ - | $23,675,000 | $ - |
| Revenue Bonds Series 2005B | 9,350,000 | - | 410,000 | 8,940,000 | - |
| | 33,025,000 | - | 410,000 | 32,615,000 | - |
| Series 2005A Bonds Discount | (286,387) | - | 12,497 | (273,890) | - |
| Series 2005B Bonds Discount | (78,246) | - | 5,897 | (72,349) | - |
| | 32,660,367 | - | 428,394 | 32,268,761 | - |
| Developer advance - capital | 15,530,600 | - | - | 15,530,600 | - |
| Developer advance - capital - interest | 6,979,202 | 1,136,269 | - | 8,115,471 | - |
| Developer advance - capital | 787,397 | - | - | 787,397 | - |
| Developer advance - capital - interest | 227,432 | 55,117 | - | 282,549 | - |
| Developer advance - operations | 414,611 | - | - | 414,611 | - |
| Developer advance - operations - interest | 85,904 | 28,900 | - | 114,804 | - |
| | $56,685,513 | $1,220,286 | $ 428,394 | $57,514,193 | $ - |

Debt Authorization

As of December 31, 2013, the District had remaining voted debt authorization of approximately $1,981,510,000. The District has not budgeted to issue any new debt during 2013. Per the District's SARSP, the District cannot issue debt in excess of $100,000,000.

Note 5: Related Party

A majority of the District's Board of Directors are either officers or employees of or have business or professional relationships with Lennar Colorado, LLC, which is the Colorado manager for MS Rialto Blackstone CO, LLC ("Developer"), or have an interest in undeveloped land within the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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 require judicial interpretation

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool"), which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds;

2) long-term liabilities such as bonds payable, accrued bond interest payable, developer advances payable and accrued developer advance interest payable are not due and payable in the current period and, therefore, are not in the funds; and

3) facility fees and interest on these fees are not reported in the fund as they are not deemed available (i.e. collectible within the current period). As such, they are recorded in the fund as received and in the government-wide financial statements when due (April 26, 2005).

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the statement of activities;

2) governmental funds report developer advances as revenue; however, in the government-wide financial statements, these advances are reported as long-term liabilities;

3) facility fees due April 26, 2005 that are paid over time and the related interest assessed on unpaid fees are not available for inclusion in the governmental funds until received; and,

4) governmental funds report the repayment of long-term debt (bonds) as an expenditure; however, in the statement of activities, the repayment of long-term is reported as a decrease in the long-term debt.

SUPPLEMENTAL INFORMATION

## HIGH PLAINS METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2013

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| REVENUES | | | |
| Interest income | $ - | $ - | $ - |
| Total Revenues | - | - | - |
| EXPENDITURES | | | |
| Miscellaneous | - | - | - |
| Total Expenditures | - | - | - |
| NET CHANGE IN FUND BALANCE | - | - | - |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | - | - | - |
| END OF YEAR | $ - | $ - | $ - |

The notes to the financial statements are an integral part of these statements.

# HIGH PLAINS METROPOLITAN DISTRICT

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

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| REVENUES | | | |
| Property taxes | $ 684,844 | $ 664,573 | $ (20,271) |
| Regional mill levy | 13,697 | 13,291 | (406) |
| Specific ownership taxes | 41,093 | 47,069 | 5,976 |
| Specific ownership taxes - regional | 822 | 941 | 119 |
| Development fees | - | - | - |
| Facility fees, interest and late fees | 1,145,000 | 864,340 | (280,660) |
| Unpaid principal and interest | 1,057,408 | - | (1,057,408) |
| Interest income | 8,561 | 1,079 | (7,482) |
| Total Revenues | 2,951,425 | 1,591,293 | (1,360,132) |
| EXPENDITURES | | | |
| Bond principal | 1,005,000 | 410,000 | 595,000 |
| Bond interest expense | 1,855,531 | 1,006,310 | 849,221 |
| Regional mill levy | 14,316 | 14,049 | 267 |
| Letter of credit fees | 120,000 | 117,848 | 2,152 |
| Paying agent fees | 5,000 | 4,708 | 292 |
| Cost of letter of credit extension | - | - | - |
| Analytical services | 5,000 | 1,750 | 3,250 |
| Treasurer's fees | 10,273 | 9,980 | 293 |
| Treasurer's fees - regional | 205 | 200 | 5 |
| Total Expenditures | 3,015,325 | 1,564,845 | 1,450,480 |
| NET CHANGE IN FUND BALANCE | (63,900) | 26,448 | 90,348 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | 556,991 | 500,097 | (56,894) |
| END OF YEAR | $ 493,091 | $ 526,545 | $ 33,454 |

The notes to the financial statements are an integral part of these statements.