



Financial Statements

December 31, 2013

CORDILLERA METROPOLITAN DISTRICT

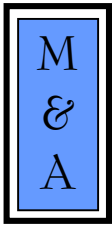
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Cordillera Metropolitan District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cordillera Metropolitan District (the "District"), 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, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cordillera Metropolitan District as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison 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 statement 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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 individual fund budgetary comparisons and historical property tax schedules and debt service schedules found in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary comparisons and debt service schedules found in Section F are the responsibility of management and were 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The historical property tax schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**McMahan and Associates, L.L.C.
May 29, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cordillera Metropolitan District

Management's Discussion and Analysis

December 31, 2013

As management of Cordillera Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statement, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, public safety, recreation, and public works.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for each fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The Governmental fund financial statements can be found on pages C3 and C7 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Government-wide Financial Analysis

The following tables show condensed financial information derived from the government-wide financial statements for the years ended December 31, 2013.

Cordillera Metropolitan District Net Assets Governmental Activities

	2013	2012
Assets:		
Current and other assets	9,907,268	9,519,204
Capital assets	19,103,009	20,276,322
Total Assets	29,010,277	29,795,526
Liabilities:		
Other liabilities	2,884,302	3,197,302
Long-term liabilities	17,665,000	19,845,000
Total Liabilities	20,549,302	23,042,302
Deferred Inflows of Resources:		
Unavailable property tax revenue	5,824,572	5,854,709
Total Deferred Inflows of Resources	5,824,572	5,854,709
Net Assets:		
Net investment in capital assets	(741,991)	(1,742,798)
Restricted for emergencies	241,235	239,319
Restricted for debt service	290,503	179,199
Unrestricted	2,846,656	2,222,795
Total Net Assets	2,636,403	898,515

**Cordillera Metropolitan District Net Assets
Governmental Activities**

	2013	2012
Revenues:		
Program Revenues:		
Charges for services	1,837,747	1,387,493
Grants and contributions	27,304	18,013
General Revenues:		
Property taxes	5,867,720	6,166,336
Other taxes	241,828	235,322
Interest and other revenues	453,253	1,741,264
Total Revenues	8,427,852	9,548,428
Expenses:		
General government	1,659,533	1,647,294
Public works	2,727,891	2,579,222
Public safety	970,380	918,674
Design review board	5,472	7,204
Equestrian center	495,489	463,440
Recreation	27,036	13,213
Loan issuance costs		155,300
Interest on long-term debt	804,163	1,237,145
Total Expenses	6,689,964	7,021,492
Change in Net Assets	1,737,888	2,526,936
Net Assets - Beginning	898,515	(1,628,421)
Net Assets - Ending	2,636,403	898,515

Government-wide Financial Analysis (Continued)

The District's overall financial position, as measured by net assets, increased from \$898,515 at the end of 2012 to \$2,636,403 at the end of 2013.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Financial Analysis of the District's Funds

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,622,648 an increase of \$677,214 from the prior year ending fund balances. Of the District's ending fund balance, \$241,235 is **restricted**, meaning it is not available for new spending because it has already been committed for emergencies under Taxpayers' Bill Of Rights (TABOR). Also, \$290,503 is restricted for debt service payments. The remainder of the fund balance that has not been committed or assigned for a specific purpose is available for spending at the District's discretion.

Budget Variances – The General Fund actual revenues were over the final budget by \$31,280 on an original budget of \$4.4 million and actual expenditures were 99% of the final budget. The District's other funds showed favorable and unfavorable variances compared to budget. Details can be seen in sections E and F, of this report.

Capital Assets – The District invested approximately \$530,771 in capital asset additions during 2013, the majority of which was invested in improvements and additions to the District's infrastructure.

Long-term Debt – in 2013, the District decreased its outstanding long-term debt balance \$2,175,000 bringing the ending balance to \$19,845,000. Additional information pertaining to the District's long-term debt can be found in the Notes to the Financial Statement on pages D13 to D14 of this report and in the schedules of debt service requirements to maturity on pages F7 to F9.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cordillera Metropolitan District, Attn: Finance Office, 408 Carterville Road, Cordillera, Colorado, 81632 or you may call 970/926-1923.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Cordillera Metropolitan District
Statement of Net Position
December 31, 2013**

	<u>Governmental Activities</u>
Assets:	
Cash	3,362,854
Accounts receivable:	
Property tax	5,824,572
Other governments	19,216
CPOA	561,714
Other	129,312
Prepaid expenses	9,600
Capital assets, net	<u>19,103,009</u>
Total Assets	<u>29,010,277</u>
 Liabilities:	
Accounts payable and accrued liabilities	113,027
Accrued liabilities	70,394
Deposits held	78,893
Accrued compensated absences	197,734
Accrued interest payable	66,820
Bond issue premium, net	177,434
Non-current liabilities due within one year:	
Loan payable	330,000
Bonds payable	1,850,000
Non-current liabilities due in excess of one year:	
Loan payable	5,855,000
Bonds payable	<u>11,810,000</u>
Total Liabilities	<u>20,549,302</u>
 Deferred Inflows of Resources:	
Unavailable property tax revenue	<u>5,824,572</u>
Total Deferred Inflows of Resources	<u>5,824,572</u>
 Net Position:	
Net investment in capital assets	(741,991)
Restricted for emergencies	241,235
Restricted for debt service	290,503
Unrestricted	<u>2,846,656</u>
Total Net Position	<u>2,636,403</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**Cordillera Metropolitan District
Balance Sheets
Governmental Funds
December 31, 2013**

	Special Revenue		Debt Service			Capital Projects		Total
	General	Equestrian	CMD	CMMD	2002 Bonds	Water	Other	
Assets:								
Cash and cash equivalents	1,354,870	132,720	193,384	31,541	56,402	1,321,322	272,615	3,362,854
Accounts receivable	129,312	-	-	-	-	-	-	129,312
Due from CPOA	561,714	-	-	-	-	-	-	561,714
Due from Eagle County Treasurer	10,040	-	6,226	2,950	-	-	-	19,216
Property tax receivable	3,208,359	-	1,689,211	927,002	-	-	-	5,824,572
Prepaid expenses	9,600	-	-	-	-	-	-	9,600
Total Assets	<u>5,273,895</u>	<u>132,720</u>	<u>1,888,821</u>	<u>961,493</u>	<u>56,402</u>	<u>1,321,322</u>	<u>272,615</u>	<u>9,907,268</u>
Liabilities:								
Accounts payable	113,027	-	-	-	-	-	-	113,027
Accrued liabilities	70,394	-	-	-	-	-	-	70,394
Deposits held	78,893	-	-	-	-	-	-	78,893
Accrued compensated absences	197,734	-	-	-	-	-	-	197,734
Total Liabilities	<u>460,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,048</u>
Deferred Inflows of Resources:								
Unavailable property tax revenue	3,208,359	-	1,689,211	927,002	-	-	-	5,824,572
Total Deferred Inflows of Resources	<u>3,208,359</u>	<u>-</u>	<u>1,689,211</u>	<u>927,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,824,572</u>
Fund Balance:								
Nonspendable	9,600	-	-	-	-	-	-	9,600
Restricted for:								
TABOR emergency reserve	241,235	-	-	-	-	-	-	241,235
Debt service	-	-	199,610	34,491	56,402	-	-	290,503
Committed to:								
Equestrian Center	-	132,720	-	-	-	-	-	132,720
Assigned to:								
Water rights and projects	-	-	-	-	-	1,321,322	-	1,321,322
Deposits	78,893	-	-	-	-	-	-	78,893
Other projects	-	-	-	-	-	-	272,615	272,615
Unassigned	1,275,760	-	-	-	-	-	-	1,275,760
Total Fund Balance	<u>1,605,488</u>	<u>132,720</u>	<u>199,610</u>	<u>34,491</u>	<u>56,402</u>	<u>1,321,322</u>	<u>272,615</u>	<u>3,622,648</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>5,273,895</u>	<u>132,720</u>	<u>1,888,821</u>	<u>961,493</u>	<u>56,402</u>	<u>1,321,322</u>	<u>272,615</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.								19,103,009
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.								<u>(20,089,254)</u>
Net Position of Governmental Activities								<u>2,636,403</u>

The accompanying notes are an integral part of these financial statements.

Cordillera Metropolitan District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2013

	Special Revenue		Debt Service			Capital Projects		Total
	General	Equestrian	CMD	CMMD	2002 Bonds	Water	Other	
Revenues:								
Taxes	3,296,765	-	1,793,771	1,019,012	-	-	-	6,109,548
Charges for services	1,166,125	423,842	-	-	-	247,780	-	1,837,747
Tap fees	-	-	25,806	-	-	-	-	25,806
Other revenue	47,645	3,239	4,206	4,623	-	-	8,350	68,063
Total Revenues	4,510,535	427,081	1,823,783	1,023,635	-	247,780	8,350	8,041,164
Expenditures:								
General and administration	1,501,768	-	53,962	30,690	-	-	-	1,586,420
Public safety	837,384	-	-	-	-	-	-	837,384
Public works	1,311,467	-	-	-	-	-	-	1,311,467
Equestrian Center	-	412,014	-	-	-	-	-	412,014
Design Review Board	5,472	-	-	-	-	-	-	5,472
Recreation	27,036	-	-	-	-	-	-	27,036
Debt Service:								
Interest	-	-	492,338	384,124	-	-	-	876,462
Principal	-	-	1,535,000	640,000	-	-	-	2,175,000
Capital outlay	-	-	-	-	-	-	532,695	532,695
Total Expenditures	3,683,127	412,014	2,081,300	1,054,814	-	-	532,695	7,763,950
Excess (Deficiency) of Revenues Over Expenditures	827,408	15,067	(257,517)	(31,179)	-	247,780	(524,345)	277,214
Other Financing Sources (Uses):								
Contribution from CPOA	-	-	341,642	37,141	21,217	-	-	400,000
Transfers in (out)	(715,000)	-	-	-	-	-	715,000	-
Total Other Financing Sources (Uses)	(715,000)	-	341,642	37,141	21,217	-	715,000	400,000
Net Change in Fund Balance	112,408	15,067	84,125	5,962	21,217	247,780	190,655	677,214
Beginning Fund Balance	1,493,080	117,653	115,485	28,529	35,185	1,073,542	81,960	2,945,434
Ending Fund Balance	1,605,488	132,720	199,610	34,491	56,402	1,321,322	272,615	3,622,648

The accompanying notes are an integral part of these financial statements.

**Cordillera Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2013**

Net Change in Fund Balance of Governmental Funds	677,214
Amounts reported for governmental activities in the Statement of Activities are different because:	
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 as depreciation expense. This is the amount by which depreciation exceeded capital outlay during the year.	(1,173,313)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,247,299
Changes in the market value of certain investments will not impact the cash flows of the current period, and therefore are not reported in the fund statements. However, the Statement of Activities recognizes changes in market value regardless of the timing of the related cash flows. This amount is the change in market value of certificates of deposit during the year.	<u>(13,312)</u>
Change in Net Position of Governmental Activities	<u><u>1,737,888</u></u>

The accompanying notes are an integral part of these financial statements.

**Cordillera Metropolitan District
Statement of Fiduciary Net Position
Wildlife Mitigation Fund
December 31, 2013**

Assets:	
Cash and cash equivalents	242,357
Total Assets	<u>242,357</u>
Net Position:	
Held in trust for wildlife mitigation purposes	242,357
Total Net Position	<u><u>242,357</u></u>

The accompanying notes are an integral part of these financial statements.

**Cordillera Metropolitan District
Statement of Changes in Fiduciary Net Position
Wildlife Mitigation Fund
December 31, 2013**

Additions:	
Interest income	790
Total Additions	<u>790</u>
Change in Net Position	<u>790</u>
Net Position - Beginning	<u>241,567</u>
Net Position - Ending	<u><u>242,357</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013**

I. Summary of Significant Accounting Policies

Cordillera Metropolitan District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide water, streets, safety controls, fire protection, cable television system, transportation and mosquito control within its boundaries which are located in Eagle County, Colorado. An amendment to the District's service plan in 1997 gave the District powers to provide parks and recreation facilities and services.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The District is governed by an elected Board which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Fiduciary fund types are reported separately on pages C6 and C7. Both the government-wide and fund financial statements categorize primary activities as governmental.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted net position. The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources not required to be accounted for in another fund.

The *Debt Service Fund - CMD* is used to account for the accumulation of financial resources to be used for the payment of general long-term debt principal, interest, and other related costs for debt issued by the District.

The *Debt Service Fund - CMMD* is used to account for the accumulation of financial resources to be used for the payment of general long-term debt principal, interest, and other related costs for debt issued by Cordillera Mountain Metropolitan District prior to the consolidation with the District.

The *Debt Service Fund – 2002 Debt Reserve* is used to account for the accumulation of financial resources contributed by Cordillera Property Owners Association to be used restrictively and exclusively for the payment of general long-term debt principal, interest, and other related costs for debt issued by Cordillera Metropolitan District and by Cordillera Mountain Metropolitan District prior to the consolidation with the District.

The *Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities.

The *Equestrian Center Special Revenue Fund* is used to account for operations and financial activity of the District's Equestrian Center.

The *Water Fund* is used to account for the contribution and capital improvements of the water system.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

I. Summary of Significant Accounting Policies (continued)

2. Fund Financial Statements (continued)

Additionally, the District reports the following fiduciary fund:

The *Wildlife Mitigation Trust Fund* is used to account for resources legally held in trust for use by the District for projects related solely to mitigating impacts on wildlife within the District. All investment earnings are available to be used for such projects at the direction of the District's wildlife mitigation committee. The trust agreement requires preservation of the principal balance of approximately \$170,700.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

3. Financial Statement Presentation

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

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts of \$5,492.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

4. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital expenditures for projects are capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets.

Infrastructure and buildings are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure, buildings, and improvements	30 - 40
Water and sewer systems	20
Vehicles and equipment	5

Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)

I. Summary of Significant Accounting Policies (continued)

5. Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact;
- Restricted fund balance – 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 a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. The District considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (See Note III. B.).

6. Reserved Fund Balance

The governmental funds, excluding debt service, had a restricted fund balance of \$241,235 for emergencies as required under TABOR (See Note III. B.).

The CMD, CMMD and 2002 Debt Reserve Debt Service Funds have restricted fund balances for future debt service of \$199,610, \$34,491 and \$56,402 respectively. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

I. Summary of Significant Accounting Policies (continued)

7. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable revenues from property taxes. Accordingly, the item, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets

The governmental fund Balance Sheet includes reconciliation between *fund balance – governmental funds* and *net assets of governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that “Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$20,089,254 difference are as follows:

Bonds payable	\$ 19,845,000
Accrued interest	66,820
Deferred bond issue premium, net	177,434
	\$ 20,089,254

B. Explanation of certain differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance includes reconciliation between *net change in fund balances of governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “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 as depreciation expense.” The net change of \$1,173,314 in capital assets is capital outlay of \$530,771 less current year depreciation expense of \$1,704,085 during the year ended December 31, 2013.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of certain differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities (continued)

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

The details of this \$2,247,299 difference are as follows:

Repayment of principal on bonds	\$	2,175,000
Change in accrued interest payable		6,219
Accretion of interest payable		(880)
Amortization of deferred issue premium received		66,960
	<u>\$</u>	<u>2,247,299</u>

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**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budgets for the proprietary funds are adopted on a Non-GAAP budgetary basis and are reconciled to GAAP basis if necessary.

As required by Colorado statutes, the District followed the following time table in approving and enacting a budget for the ensuing years:

- (1) For the 2013 budget year, prior to August 25, 2012, the County Assessor sent to the District the final recertified assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2012, the District's staff submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) A public hearing on the proposed budget and capital program was held by the Board.
- (4) For the 2013 budget, prior to December 15, 2012, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2013 budget, the final budget and appropriating resolution was adopted prior to December 31, 2012.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2012 were collected in 2013 and taxes certified in 2013 will be collected in 2014. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

On November 4, 2003, the District's electors approved a ballot question which permits the District to impose a mill levy for operations, maintenance and other expenses sufficient to generate a maximum of \$2,700,000 in revenues in collection year 2004 and every year thereafter. Such taxes may increase as allowed by Sections 29-1-301 of the Colorado Revised Statutes, which generally permits annual increases of no more than 5.5%. Further, the District's operations and maintenance mill levy may be adjusted to: (i) account for changes in law or the method by which assessed valuations are calculated, and (ii) offset any property tax cut or limit which is mandated by the State constitution.

On November 4, 2008 the District's electors approved a ballot question authorizing the district to collect, retain and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, contract payments, grants or any other fee, rate, toll, penalty or charge authorized by law or contract to be imposed collected received by the district in 2008 and each fiscal year thereafter without regard to any spending, revenue-raising or other limitations imposed by TABOR or Colorado law.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2013, year-end fund balance in the governmental funds for emergencies as required under TABOR in the amount of \$241,235 which is the approximate required reserve at December 31, 2013.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2013 the District's cash deposits had a carrying balance of \$527,060 and a bank balance of \$556,036. The District also had \$1,077,690 deposited with Charles Schwab in money market funds.

2. Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pool

The District had \$2,000,461 on deposit with Colorado Local Government Liquid Asset Trust, (COLOTRUST); an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. COLOTRUST funds carry a Standard & Poor's AAA investment rating. There is no custodial, interest rate or foreign currency risk exposure.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

3. Summary of Cash and Investments

A summary of the District's cash and investment book balances at December 31, 2013 is shown below.

	Primary Government	Fiduciary Fund	Total District
Financial Statement Captions:			
Cash	\$ 3,362,854	242,357	3,605,211
By Type:			
Deposits	\$ 284,703	242,357	527,060
Colostrust	2,000,461	-	2,000,461
Money market	1,077,690	-	1,077,690
	\$ 3,362,854	242,357	3,605,211

4. Risk Factors

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

IV. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,285,224	-	-	7,285,224
Total capital assets, not being depreciated	<u>7,285,224</u>	<u>-</u>	<u>-</u>	<u>7,285,224</u>
Capital assets, being depreciated:				
Infrastructure	13,680,693	440,357	-	14,121,050
Improvements	4,286,297	37,586	-	4,323,883
Buildings	7,398,186			7,398,186
Vehicles and equipment	2,171,600	52,828	(62,859)	2,161,569
Total capital assets being depreciated	<u>27,536,776</u>	<u>530,771</u>	<u>(62,859)</u>	<u>28,004,688</u>
Less: accumulated depreciation for:				
Infrastructure	(7,291,328)	(926,725)	-	(8,218,053)
Improvements	(1,760,167)	(284,573)	-	(2,044,740)
Buildings	(3,649,042)	(382,475)	-	(4,031,517)
Vehicles and equipment	(1,845,140)	(110,312)	62,859	(1,892,593)
Total accumulated depreciation	<u>(14,545,677)</u>	<u>(1,704,085)</u>	<u>62,859</u>	<u>(16,186,903)</u>
Total capital assets, being depreciated, net	<u>12,991,099</u>	<u>(1,173,314)</u>	<u>-</u>	<u>11,817,785</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,276,323</u>	<u>(1,173,314)</u>	<u>-</u>	<u>19,103,009</u>

Depreciation for the year ended December 31, 2013 was charged to the District's functions as follows:

Governmental Activities:	
General government	\$ 73,113
Public Works	1,414,500
Public Safety	132,996
Equestrian	83,475
Total Depreciation Expense	<u>\$ 1,704,085</u>

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

IV. Detailed Notes on All Funds (continued)

C. Long-term Debt

A summary of long-term liability activity for the year ended is as follows. Additional detailed information is available on the following pages.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
G.O. Bonds Payable	\$ 22,000,000		(2,155,000)	19,845,000	2,180,000
Interest Coupons (at face value)	20,000	-	(20,000)	-	-
Unaccreted Discount	(880)		880	-	-
				-	-
Total	<u>\$ 22,019,120</u>	<u>-</u>	<u>(2,174,120)</u>	<u>19,845,000</u>	<u>2,180,000</u>

1. General Obligation Refunding Bonds, Series 2003 - CMD

The District issued \$3,435,000 of general obligation refunding bonds dated June 1, 2003 with interest rates ranging from 3.0% to 3.5%, payable on June 1 and December 1. The principal on the bonds is payable on December 1 and matures in various increments through 2015. Proceeds from the bond issuance were used to advance refund a portion of the series 1996 bonds

2. General Obligation Refunding Bonds, Series 2006 A - CMD

The District issued \$5,780,000 of general obligation refunding bonds dated April 24, 2006 with interest rates ranging from 3.60% to 5.00%, payable on June 1 and December 1. The principal on the bonds is payable on December 1 and matures in various increments through 2019. Proceeds from the bond issuance have been used to advance refund all outstanding series 1998 bonds.

Additionally, the District issued \$660,000 of Supplemental Interest Registered Coupons, with interest rates ranging from 3.75% to 4.13%. The principal matures in various increments on December 1 through 2013.

3. General Obligation Refunding Bonds, Series 2009 – CMD

The District issued \$4,665,000 of general obligation refunding bonds dated September 14, 2009 with interest rates ranging from 2.50% to 3.00%, payable on June 1 and December 1. The principal on the bonds is payable on December 1 and matures in various increments through 2015. Proceeds from the bond issuance have been used to advance refund all of the CMD series 1999 bonds.

4. General Obligation Refunding Bonds, Series 2012 – CMD

The District issued \$6,500,000 of general obligation refunding bonds dated December 3, 2013 with an interest rate of 2.24%, payable on June 1 and December 1. The principal on the bonds is payable on December 1 and matures in various increments through 2022. Proceeds from the bond issuance have been used to advance refund all of the CMD series 2002 bonds.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

IV. Detailed Notes on All Funds (continued)

C. Long-term Debt (continued)

5. General Obligation Bonds, Series 2002A - CMMD

During 2002, the District issued Series 2002A General Obligation Bonds, dated April 1, 2002, in the original principal amount of \$2,000,000, maturing through 2022 with interest at 4.125% to 6% payable semiannually. Bonds maturing on and before December 1, 2013 are not subject to prior redemption. The bonds maturing on and after December 1, 2013 are subject to redemption prior to their respective maturities, at the option of the district.

6. General Obligation Refunding Bonds, Series 2006B - CMMD

The District issued \$6,840,000 of general obligation refunding bonds dated April 24, 2006 with interest rates ranging from 4.00% to 5.00%, payable on June 1 and December 1. The principal on the bonds is payable on December 1 and matures in various increments through 2022. Proceeds from the bond issuance have been used to advance refund portions of the CMMD series 1999 (\$1,415,000), series 2000A (\$3,260,000), and series 2000B (\$2,165,000) bonds.

Additionally, the District issued \$410,000 of Supplemental Interest Registered Coupons, with interest rates ranging from 3.85% to 4.54%. The principal matures in various increments on December 1 through 2013.

7. Annual Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	Interest	Total
2014	2,180,000	801,835	2,981,835
2015	2,165,000	725,586	2,890,586
2016	2,280,000	650,581	2,930,581
2017	2,500,000	552,391	3,052,391
2018	2,615,000	440,489	3,055,489
2019 - 2022	8,105,000	723,177	8,828,177
Total	19,845,000	3,894,059	23,739,059

8. Unissued Debt

The District authorized the issuance of \$15,000,000 in bonded indebtedness to acquire certain parks and recreational facilities and/or the water rights, infrastructure and other improvements in order to provide water service to the park and recreation project. None of the debt had been issued as of the date of the auditor's report.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

V. Other Information

A. Water Service Agreement

The District, the Edwards Metropolitan District and the Upper Eagle Regional Water District are parties to an Amended and Restated Water Service Agreement dated March 25, 2004 (the "Water Service Agreement"), concerning the provision of treated water to the area within the District. The Water Service Agreement provides that the Water District shall provide water service to the property within the District up to a maximum of 1,685 single family equivalent units, comprised of 1,522 residential units and 135 commercial units. Water rights and system infrastructure serving the District were originally owned by the Squaw Creek Metropolitan District and were transferred to the District in 2003. These assets were further transferred to the Water District in 2004. Water users within the District pay periodic water service charges to the Water District. Under the Water Services Agreement, in 2004, the District paid to the Water District \$882,500 to be used by the Water District for the purchase and/or lease of water rights sufficient to augment current rights held to extent necessary to accommodate future growth within the District. In 2007 the District received a refund of \$520,340 from the Water District pursuant to the agreement.

B. Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

V. Other Information

C. Retirement Plan

The District participates in the Security Benefit, multiple-employer public employee retirement systems that are qualified plans as defined by IRS Code Section 401(A) and 457 and Colorado Revised Statutes (CRS) 24.54. The plans provide retirement benefits through a defined contribution plan to participating counties, municipalities, and special districts. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. There are no unfunded past service liabilities. All full-time and part-time regular employees are required to participate in the 401(A) plan after approximately one month of service. The District contributes 6.2% of employee compensation, excluding overtime and bonuses. The employee is required to contribute an amount at least equal to the District's contribution. District employees may also choose to participate in the 457 plan. The District provides a 25% match to employee contributions to the 457 plan up to the annual IRS limits on individual contributions. Actual Contributions amounted to \$15,481 (employer) and \$61,924 (employee) during 2013.

The District and employees each made the required 6.2% minimum contributions to the 401(A) plan in 2013 of \$169,269. Required contribution rates may be amended within the statutory limits by the Board of Directors of the District.

D. Transfers

The District made a budgeted transfer in 2013 from the General Fund to the Capital Projects Fund of \$715,000 to fund capital projects.

E. Commitments and Contingencies

The District is exposed to various risks of loss related to workers compensation; general liability, unemployment, torts, theft of, damage to, and destruction of assets; and errors and omissions. Management of the District and their legal representatives are not aware of any material outstanding claims against the District at December 31, 2013.

VI. Pending Legal Matters

A. Cordillera Metropolitan District v. Board of County Commissioners of the County of Eagle, Colorado, and Rothkopf, GP

On or about August 8, 2011, Rothkopf, GP ("Rothkopf") submitted a petition (the "Petition") for exclusion of certain property owned by Rothkopf from the District. The District's Board held a public hearing on the Petition on both October 17 and November 21, 2011, ultimately denying the exclusion on December 13, 2011. Rothkopf appealed to the Eagle County Board of County Commissioners ("BOCC"), who held a hearing on the matter on February 26, 2013, and permitted Rothkopf to introduce additional evidence not presented to the District's Board.

On March 12, 2013, the BOCC overturned the District's Board's denial of the exclusion. The property in the Petition generates approximately \$32,000 in annual property tax revenues for the District, approximately 50% of which is used to support the District's debt service obligations, and the remaining 50% of which is used to support the District's operations and maintenance expenses.

**Cordillera Metropolitan District
Notes to the Financial Statements
December 31, 2013
(Continued)**

VI. Pending Legal Matters (continued)

A. Cordillera Metropolitan District v. Board of County Commissioners of the County of Eagle, Colorado, and Rothkopf, GP (continued)

On March 27, 2013, the District filed a lawsuit in the District Court for Eagle County, Colorado, against the BOCC and Rothkopf requesting the court to enter an order reversing the BOCC decision, directing the BOCC to rehear Rothkopf's appeal and instructing the BOCC to limit the record on appeal to the record created before the District's Board; denying Rothkopf's request to have the property excluded from the District; declaring an easement granted to Rothkopf is a temporary easement and that Rothkopf does not have an easement along the entire Carterville Road used to access his property; and for an award of all costs.

The District's management and legal counsel believe it is likely the District will prevail and the property will remain in the District. In the event the District does not prevail and the property is excluded, the property will remain obligated for the payment of taxes to support the District's debt service obligations, but would no longer be obligated for the payment of taxes to support the District's operations and maintenance expenses.

B. Starview Realty Investments, LP v. Cordillera Metropolitan District

On April 17, 2013, Starview Realty Investments, LP ("Starview") filed suit against the District in Eagle County District Court alleging that the District does not provide any services or infrastructure to the property, and thus has been unjustly enriched by collecting taxes from Starview. Starview alleges that the District has further violated State Constitutional provisions by collecting taxes and not providing services.

The District has engaged the firm of Norton Smith & Keane, P.C. to represent it in litigation. The District intends to vigorously defend the case, and disagrees with the factual assertions in the complaint. The District further believes the legal theories upon which the case was filed are without merit.

The District filed a motion to dismiss which was granted, in part, by Court Order, dated July 11, 2013. The Court's Order leaves only four of the Plaintiff's claims for relief pending. Discovery has been completed and the case has been set for trial for September 30, 2014 to October 3, 2014.

In the event of an unfavorable outcome, the District could be required to repay Starview \$108,383.06 in previously collected property taxes and could be enjoined from collecting property taxes from the property in the future.

REQUIRED SUPPLEMENTARY INFORMATION

Cordillera Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2013

	2013			Variance Positive (Negative)	2012 Actual
	Original Budget	Final Budget	Actual		
Revenues:					
Taxes:					
Property tax	3,049,397	3,049,397	3,054,937	5,540	3,020,319
Specific ownership tax	227,000	227,000	241,828	14,828	235,322
Charges for services:					
CPOA administration fees	806,186	806,186	806,186	-	402,190
Cordillera Valley Club public safety	248,295	248,295	248,417	122	253,927
Trailer storage fees	15,000	15,000	20,560	5,560	19,180
Design review board fees	14,700	17,157	15,630	(1,527)	30,200
Transponder revenue	8,370	10,000	15,315	5,315	8,135
Sewer lift revenue	21,115	21,115	17,476	(3,639)	14,881
Internal service fee from Equestrian Fund	53,964	53,964	41,042	(12,922)	42,326
Other fees	2,150	2,300	1,499	(801)	556
Other revenue:					
Electric utility refunds	10,000	10,000	10,503	503	20,319
Interest income	7,718	7,718	24,537	16,819	20,265
Lottery proceeds	2,000	2,000	1,498	(502)	1,571
Other income	-	9,123	11,107	1,984	17,717
Total Revenues	4,465,895	4,479,255	4,510,535	31,280	4,086,908
Expenditures:					
General and administration:					
Wages and benefits	1,021,844	1,035,500	1,012,104	23,396	936,117
Operations	432,625	488,688	489,664	(976)	545,348
Public safety:					
Wages and benefits	758,610	758,610	787,006	(28,396)	746,246
Operations	47,387	50,015	50,378	(363)	41,531
Public works:					
Wages and benefits	728,281	728,281	729,095	(814)	654,540
Operations	599,059	619,945	582,372	37,573	510,436
Design Review Board	5,980	7,746	5,472	2,274	7,204
Recreation	29,638	31,921	27,036	4,885	13,213
Total Expenditures	3,623,424	3,720,706	3,683,127	37,579	3,454,635
(Deficiency) of Revenues Over Expenditures	842,471	758,549	827,408	68,859	632,273
Other Financing Sources (Uses):					
Transfer to other funds	(715,000)	(715,000)	(715,000)	-	(510,000)
Total Other Financing Sources (Uses)	(715,000)	(715,000)	(715,000)	-	(510,000)
Net Change in Fund Balance	127,471	43,549	112,408	68,859	122,273
Fund Balance - Beginning	1,283,927	1,283,927	1,493,080	209,153	1,370,807
Fund Balance - Ending	1,411,398	1,327,476	1,605,488	278,012	1,493,080

Cordillera Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Equestrian Center
For the Year Ended December 31, 2013

	2013		Variance Positive (Negative)	2012 Actual
	Original Budget	Actual		
Revenues:				
Boarding stall revenue	312,180	297,321	(14,859)	286,430
Paddock revenue	136,080	126,521	(9,559)	124,585
Other revenue	4,698	3,239	(1,459)	3,711
Total Revenues	452,958	427,081	(25,877)	414,726
Expenditures:				
Payroll	162,572	160,687	1,885	162,763
Benefits	49,575	52,562	(2,987)	49,472
Manure disposal	19,530	15,065	4,465	17,045
Grain	9,489	7,224	2,265	7,408
Hay	94,176	84,576	9,600	62,784
Shavings	35,316	14,448	20,868	28,369
Electric	11,793	9,752	2,041	10,495
Gas	6,144	9,056	(2,912)	5,420
Water	3,103	3,133	(30)	3,068
Telephone	2,712	2,892	(180)	2,742
Maintenance	29,253	22,026	7,227	21,530
Internal service fee to General Fund	31,680	29,487	2,193	32,999
Operating expense	5,167	1,106	4,061	2,345
Total Expenditures	460,510	412,014	48,496	406,440
Excess of Revenues Over Expenditures	(7,552)	15,067	22,619	8,286
Fund Balance - Beginning	111,055	117,653	6,598	109,367
Fund Balance - Ending	103,503	132,720	29,217	117,653

SUPPLEMENTARY INFORMATION

Cordillera Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - CMD Debt Service Fund
For the Year Ended December 31, 2013

	2013			Variance Positive (Negative)	2012 Actual
	Original Budget	Final Budget	Actual		
Revenues:					
Property tax	1,786,332	1,786,332	1,793,771	7,439	2,082,237
Tap fees	-	-	25,806	25,806	16,442
Interest income	883	883	4,206	3,323	11,749
Total Revenues	<u>1,787,215</u>	<u>1,787,215</u>	<u>1,823,783</u>	<u>36,568</u>	<u>2,110,428</u>
Expenditures:					
Debt service:					
Bond interest	499,430	499,430	492,338	7,092	876,976
Bond principal	1,535,000	1,535,000	1,535,000	-	1,615,000
Treasurer's fees	53,590	58,590	53,962	4,628	62,821
Total Expenditures	<u>2,088,020</u>	<u>2,093,020</u>	<u>2,081,300</u>	<u>11,720</u>	<u>2,554,797</u>
(Deficiency) of Revenues Over Expenditures	<u>(300,805)</u>	<u>(305,805)</u>	<u>(257,517)</u>	<u>48,288</u>	<u>(444,369)</u>
Other Financing Sources (Uses):					
Refunding proceeds	-	-	-	-	6,500,000
Payment to refunding agents	-	-	-	-	(9,395,000)
Bond issuance costs	-	-	-	-	(155,300)
Contribution from CPOA	303,875	341,642	341,642	-	454,427
Transfer from other funds	-	-	-	-	2,831,704
Total Other Financing Sources (Uses)	<u>303,875</u>	<u>341,642</u>	<u>341,642</u>	<u>-</u>	<u>235,831</u>
Net Change in Fund Balance	3,070	35,837	84,125	48,288	(208,538)
Fund Balance - Beginning	99,972	99,972	115,485	15,513	324,023
Fund Balance - Ending	<u>103,042</u>	<u>135,809</u>	<u>199,610</u>	<u>63,801</u>	<u>115,485</u>

Cordillera Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - CMMD Debt Service Fund
For the Year Ended December 31, 2013

	2013			Variance Positive (Negative)	2012 Actual
	Original Budget	Final Budget	Actual		
Revenues:					
Property tax	1,019,010	1,019,010	1,019,012	2	1,063,780
Interest income	200	200	4,623	4,423	9,400
Total Revenues	<u>1,019,210</u>	<u>1,019,210</u>	<u>1,023,635</u>	<u>4,425</u>	<u>1,073,180</u>
Expenditures:					
Debt service:					
Bond interest	384,124	384,124	384,124	-	463,085
Bond principal	640,000	640,000	640,000	-	1,440,000
Treasurer's fees	30,570	32,570	30,690	1,880	32,588
Total Expenditures	<u>1,054,694</u>	<u>1,056,694</u>	<u>1,054,814</u>	<u>1,880</u>	<u>1,935,673</u>
(Deficiency) of Revenues Over Expenditures	<u>(35,484)</u>	<u>(37,484)</u>	<u>(31,179)</u>	<u>6,305</u>	<u>(862,493)</u>
Other Financing Sources (Uses):					
Contribution from CPOA	36,221	37,141	37,141	-	74,440
Total Other Financing Sources (Uses)	<u>36,221</u>	<u>37,141</u>	<u>37,141</u>	<u>-</u>	<u>898,476</u>
Net Change in Fund Balance	737	(343)	5,962	6,305	35,983
Fund Balance - Beginning	<u>34,234</u>	<u>34,234</u>	<u>28,529</u>	<u>(5,705)</u>	<u>(7,454)</u>
Fund Balance - Ending	<u><u>34,971</u></u>	<u><u>33,891</u></u>	<u><u>34,491</u></u>	<u><u>600</u></u>	<u><u>28,529</u></u>

Cordillera Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - 2002 Debt Service Fund
For the Year Ended December 31, 2013

	<u>2013</u>		Variance Positive (Negative)	2012 Actual
	Original Budget	Actual		
Revenues:				
Interest income	33,727	-	(33,727)	24,814
Total Revenues	<u>33,727</u>	<u>-</u>	<u>(33,727)</u>	<u>24,814</u>
Other Financing Sources (Uses):				
Contribution from CPOA	59,904	21,217	38,687	1,096,133
Transfer to other funds	-	-	-	(3,655,740)
Total Other Financing Sources (Uses)	<u>59,904</u>	<u>21,217</u>	<u>38,687</u>	<u>(2,559,607)</u>
Net Change in Fund Balance	93,631	21,217	4,960	(2,534,793)
Fund Balance - Beginning	32,120	35,185	3,065	2,569,978
Fund Balance - Ending	<u><u>125,751</u></u>	<u><u>56,402</u></u>	<u><u>8,025</u></u>	<u><u>35,185</u></u>

Cordillera Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Water Fund
For the Year Ended December 31, 2013

	<u>2013</u>		Variance Positive (Negative)	2012 Actual
	Original Budget	Actual		
Revenues:				
Water usage fees	247,000	247,780	780	247,409
Total Revenues	<u>247,000</u>	<u>247,780</u>	<u>780</u>	<u>247,409</u>
Expenditures:				
Water rights appraisals	-	-	-	13,244
Legal Fees - Water	7,500	-	7,500	-
Water rights - Green Mountain	5,000	-	5,000	-
Total Expenditures	<u>12,500</u>	<u>-</u>	<u>12,500</u>	<u>13,244</u>
Excess of Revenues Over Expenditures	234,500	247,780	13,280	234,165
Fund Balance - Beginning	<u>1,060,633</u>	<u>1,073,542</u>	<u>12,909</u>	<u>839,377</u>
Fund Balance - Ending	<u><u>1,295,133</u></u>	<u><u>1,321,322</u></u>	<u><u>26,189</u></u>	<u><u>1,073,542</u></u>

Cordillera Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2013

	2013			2012 Actual
	Original Budget	Actual	Variance Positive (Negative)	
Revenues:				
Bearcat Stables improvements	6,750	6,750	-	7,750
Equestrian Center capital contribution	-	-	-	12,095
Sale of equipment	-	1,600	1,600	-
Total Revenues	<u>6,750</u>	<u>8,350</u>	<u>1,600</u>	<u>19,845</u>
Expenditures:				
Heavy equipment	243,000	52,828	190,172	84,078
Wash bay door replacement	-	13,350	(13,350)	-
Granada Glen Pond Improvements	30,000	3,342	26,658	-
Equestrian mule	-	-	-	15,726
Equestrian water and drag system	-	-	-	12,046
Indoor Arena footing improvements	-	-	-	12,095
Equestrian paddock resurfacing	16,600	22,818	(6,218)	14,980
Heat installation -- Equestrian Center	-	-	-	11,355
Electric installation -- Bearcat Cabins	-	-	-	911
Road repair	432,800	440,357	(7,557)	416,044
Total Expenditures	<u>722,400</u>	<u>532,695</u>	<u>189,705</u>	<u>567,235</u>
(Deficiency) of Revenues Over Expenditures	(715,650)	(524,345)	191,305	(547,390)
Other Financing Sources (Uses):				
Transfer (to) from other fund	715,000	715,000	-	510,000
Total Other Financing Sources (Uses)	<u>715,000</u>	<u>715,000</u>	<u>-</u>	<u>510,000</u>
Net Change in Fund Balance	(650)	190,655	191,305	(37,390)
Fund Balance - Beginning	946	81,960	81,014	119,350
Fund Balance - Ending	<u>296</u>	<u>272,615</u>	<u>299,640</u>	<u>81,960</u>

Cordillera Metropolitan District
Summary of Assessed Valuation, Mill Levy and Property Tax Collected
December 31, 2013

<u>Year Ended December 31</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
<u>Cordillera Metropolitan District:</u>					
2002	99,806,930	31.805	3,174,359	3,018,767	95.10%
2003	101,632,770	40.759	4,142,450	4,139,534	99.93%
2004	91,813,930	22.048	2,024,314	2,017,382	99.66%
2005	91,510,150	21.121	1,932,786	1,931,834	99.95%
2006	85,340,290	21.121	1,802,472	1,801,982	99.97%
2007	85,937,480	27.034	2,323,234	2,323,461	100.01%
2008	97,690,880	23.165	2,263,009	2,262,909	100.00%
2009	99,172,250	23.165	2,297,325	2,278,863	99.20%
2010	115,894,820	19.663	2,278,840	2,254,892	98.95%
2011	113,913,340	19.663	2,239,878	2,153,834	96.16%
2012	79,115,500	26.535	2,099,330	2,082,237	99.19%
2013	78,623,900	22.720	1,786,335	1,793,771	100.42%
2014	66,295,550	25.480	1,689,211		
<u>Cordillera Mountain Metropolitan District:</u>					
2002	24,625,750	45.000	1,108,159	1,085,134	97.92%
2003	28,662,210	49.000	1,404,448	1,402,639	99.87%
2004	28,608,160	30.897	883,906	882,400	99.83%
2005	28,874,420	35.893	1,036,390	1,036,390	100.00%
2006	23,601,540	35.893	847,130	846,471	99.92%
2007	23,849,170	50.981	1,215,855	1,213,933	99.84%
2008	27,045,000	37.220	1,006,615	1,005,816	99.92%
2009	26,960,870	37.220	1,003,484	1,002,402	99.89%
2010	31,237,920	33.273	1,039,379	998,535	96.07%
2011	29,744,680	33.273	989,695	891,321	90.06%
2012	17,758,590	60.728	1,078,444	1,063,780	98.64%
2013	17,939,080	56.804	1,019,012	1,019,012	100.00%
2014	16,260,060	57.011	927,002		
<u>Combined operating mill levy:</u>					
2005	120,384,570	22.833	2,748,741	2,747,753	99.96%
2006	108,941,830	25.231	2,748,711	2,747,662	99.96%
2007	109,786,650	24.306	2,668,474	2,667,685	99.97%
2008	124,735,880	22.009	2,745,312	2,744,744	99.98%
2009	126,133,120	22.933	2,892,611	2,882,575	99.65%
2010	147,132,740	20.691	3,044,324	2,995,387	98.39%
2011	143,658,020	21.135	3,036,212	2,887,328	95.10%
2012	96,874,090	31.478	3,049,403	3,020,319	99.05%
2013	96,562,980	31.579	3,049,362	3,054,937	100.18%
2014	80,833,420	39.691	3,208,359		

Cordillera Metropolitan District
Schedule of Debt Service Requirements to Maturity
Debt Issued by Cordillera Metropolitan District
December 31, 2013

Bonds and Interest Maturing in the Year Ending December 31,	\$3,435,000 G.O. Refunding Bonds Series 2003A Dated June 1, 2003 Interest Rate 3.00%-3.50%		\$5,780,000 G.O. Refunding Bonds Series 2006A Dated April 24, 2006 Interest Rate 3.60%-5.00%		\$4,665,000 G.O. Refunding Bonds Series 2009 Dated September 14, 2009 Interest Rate 2.50%-3.00%		\$6,500,000 G.O. Refunding Loan Series 2012 Interest Rate 2.24%		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
	2014	485,000	33,005	-	227,988	775,000	47,250	330,000	140,468	1,590,000	448,711
2015	500,000	17,000	-	227,988	800,000	24,000	335,000	132,974	1,635,000	401,962	2,036,962
2016	-	-	1,065,000	227,988	-	-	620,000	125,709	1,685,000	353,697	2,038,697
2017	-	-	1,120,000	174,738	-	-	630,000	111,284	1,750,000	286,022	2,036,022
2018	-	-	1,175,000	118,738	-	-	650,000	96,976	1,825,000	215,714	2,040,714
2019	-	-	1,235,000	59,988	-	-	665,000	82,214	1,900,000	142,202	2,042,202
2020	-	-	-	-	-	-	960,000	67,295	960,000	67,295	1,027,295
2021	-	-	-	-	-	-	985,000	45,309	985,000	45,309	1,030,309
2022	-	-	-	-	-	-	1,010,000	22,938	1,010,000	22,938	1,032,938
Total	985,000	50,005	4,595,000	1,037,428	1,575,000	71,250	6,185,000	825,168	13,340,000	1,983,851	15,323,851

**Cordillera Metropolitan District
Schedule of Debt Service Requirements to Maturity
Debt Issued by Cordillera Mountain Metropolitan District
December 31, 2013**

Bonds and Interest Maturing in the Year Ending December 31,	\$2,000,000 General Obligation Bonds Series 2002A Dated June 1, 2003 Interest Rate 4.125%-6.00%		\$6,840,000 General Obligation Bonds Series 2006B Dated April 24, 2006 Interest Rate 4.00%-5.00%		Total		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service			
2014	-	92,255	590,000	260,869	590,000	353,124	943,124			
2015	30,000	92,255	500,000	231,369	530,000	323,624	853,624			
2016	85,000	90,515	510,000	206,369	595,000	296,884	891,884			
2017	205,000	85,500	545,000	180,869	750,000	266,369	1,016,369			
2018	220,000	73,200	570,000	151,575	790,000	224,775	1,014,775			
2019	230,000	60,000	605,000	120,938	835,000	180,938	1,015,938			
2020	245,000	46,200	630,000	88,419	875,000	134,619	1,009,619			
2021	265,000	31,500	490,000	54,556	755,000	86,056	841,056			
2022	260,000	15,600	525,000	28,219	785,000	43,819	828,819			
Total	<u>1,540,000</u>	<u>587,025</u>	<u>4,965,000</u>	<u>1,323,181</u>	<u>6,505,000</u>	<u>1,910,206</u>	<u>8,415,206</u>			

Cordillera Metropolitan District
Schedule of Debt Service Requirements to Maturity
Debt Issued by Cordillera Metropolitan District and Cordillera Mountain Metropolitan District
December 31, 2013

Year Ending December 31	CMD & CMMD Principal Total	CMD & CMMD Interest Total	CMD & CMMD Debt Service Total
2014	2,180,000	801,835	2,981,835
2015	2,165,000	725,586	2,890,586
2016	2,280,000	650,581	2,930,581
2017	2,500,000	552,391	3,052,391
2018	2,615,000	440,489	3,055,489
2019	2,735,000	323,140	3,058,140
2020	1,835,000	201,914	2,036,914
2021	1,740,000	131,366	1,871,366
2022	1,795,000	66,757	1,861,757
	<u>19,845,000</u>	<u>3,894,059</u>	<u>23,739,059</u>