

**COLORADO CENTRE METROPOLITAN DISTRICT**

COLORADO SPRINGS, COLORADO

FINANCIAL REPORT

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2007

**Colorado Centre Metropolitan District**  
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**December 31, 2007**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Colorado Centre Metropolitan District  
Colorado Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Colorado Centre Metropolitan District, Colorado Springs, Colorado, as of and for the year ended December 31, 2007, which collectively comprise Colorado Centre Metropolitan District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Colorado Centre Metropolitan District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Colorado Centre Metropolitan District, Colorado Springs, Colorado, as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colorado Centre Metropolitan District's basic financial statements. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Hoelting & Company, Inc." The signature is written in a cursive, flowing style.

Hoelting & Company, Inc.  
Certified Public Accountants  
Colorado Springs, Colorado  
July 23, 2008

**Management Discussion and Analysis**  
**For the**  
**Colorado Centre Metropolitan District**  
By: Alvaro J. Testa, Ph.D., P.E.,  
District Manager

The management of Colorado Centre Metropolitan District (District) has prepared this writing to provide a general overview of the financial activities and condition of the District for the fiscal year ending on December 31, 2007. The discussion and analyses are designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the approved budget, and (e) identify individual fund issues or concerns.

The District's financial statements encompass: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. Other supplementary information is included in addition to the basic financial statements themselves.

The Government-wide Financial Statements (pages 1 and 2) were first implemented in the District's audit for the year ending December 31, 2004. The Statement of Net Assets and the Statement of Activities are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business. These statements are unique in that they represent the District's financial position for all of the District's governmental (General, Reserve and Debt Service Funds), Contract Services (Fire Protection Services, i.e Rolling Hills and Lorson's IGAs, and full Inter-District services, i.e. Cuchares IGA – not active in 2007 yet) and proprietary (Water and Wastewater) fund types using the accrual basis of accounting.

The Statement of Net Assets presents information on all District 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 on all District expenditures and revenues. This statement distinguishes functions of the District that are principally supported by taxes such as general government, public safety, public works, culture/recreation and debt service from other functions that are intended to recover all or a portion of these costs through user fees (such as street lighting and refuse disposal). The Business-type Activities reflect proprietary funds operations (Water and Wastewater), where the fees for services typically cover all of the costs of operation.

Traditional users of government financial statements will find the Fund Financial Statements more familiar. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds in the District can be divided into three categories, governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements (pages 3 and 5) focus on near-term inflows, outflows and balances of appropriated resources available for the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balances) is narrower than that of the government-wide financial statement, it is useful to compare the information presented in both types of statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. The audit report contains reconciliations to facilitate this comparison between governmental funds and governmental activities (pages 4 and 6).

The District's Fiduciary Fund, the Agency Fund (page 11), is used to account for resources held for the exclusive benefit of the 1992 Series "A - Principal Only" Bondholders. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the District. Although the fund balance in this fund may go up or down in reaction to market forces, the fact remains that the final maturity yield of these investments is guaranteed and fully collateralizes the Series "A - Principal Only" bonds of the District which will be paid off in 2027.

The Colorado Centre Metropolitan District is governed by all the State of Colorado rules applicable to a Title 32 Special District and the rules and covenants imposed by a U.S. Bankruptcy Resolution Plan (Chapter 9), District of Colorado, Case No. 89 B 16410 J.

**Overview of the Government-wide Financial Statements**

The District's Governmental Activities differ from many municipalities in that some of the figures it posts under its liabilities and net assets accounts relate to the District's bankruptcy plan. The District has long term liabilities (due in more than 1 year) of \$27,486,157 (page 1), of which \$27,293,652 represents accrued but unpaid principal and interest of its 1992 bonds (pages 28 and 29). Another \$221,557 represents the balance of a fully collateralized (cash) loan used for the purchase of a fire engine and for which a payment of \$28,551 is due within a year. Collateralized principal of the Series A 1992 bonds with a current value of \$1,337,300 is shown in page 11. This amount will help reduce the long term debt in 2027 as required by the Series "A" bonds.

The provisions of the bankruptcy plan of the District are such that the District's costs of operation are satisfied first. Eventually, the debt is forgiven if the financial resources are not available to cancel the debt at a time certain specified in the plan. If the bankruptcy debt component were removed from the financial activities, the District's health becomes evident. Nevertheless, the District's assets will continue to decrease annually because of depreciation expenses.

In 2007, the District had additional activities of an enterprise nature by providing fire protection services to the Lorson and Rolling Hills Metropolitan Districts through the use of intergovernmental agreements (IGA). These two entities are invoiced for the full cost of staffing, furnishing, equipping and operating the District's fire station. In addition, they each are allocated 10% of the administration costs of the District. These districts were charged for the purchase of a new fire engine and in 2008 will pay for the purchase of a Brush Truck to fight land fires.

Another District, the Cuchares Ranch Metropolitan District (Cuchares), will also begin to be served by the District with fire protection, water and sewer, parks, trash collection, street lights and other similar services to those provided within the District itself. Cuchares services will be provided as if they were included inside Colorado Centre. Any revenue shortfalls for the cost of providing services will be made up by Cuchares. In 2007, the developer for Cuchares agreed to the purchase of 111 sewer service connection charges which the District approved to be delayed in collection until May 1, 2008. As of the date of this audit, those connection charges have begun to be paid to the District as scheduled.

The District has charged an Availability of Service Charges (ASC) to properties within 100' of a District sewer line but for which a tap has not been paid. This type of charge is allowed by State Statutes to help pay off debt associated with specific project(s) that benefit said parcels. These charges, in this case, will be used specifically to pay for the District's

participation in a regional wastewater and sewer interceptor project being undertaken by the Lower Fountain Metropolitan Sewage Disposal District (LFMSDD) on behalf of its participants. The District is a 25% stakeholder on said project.

The District settled its litigation against the City of Colorado Springs (City) and Colorado Springs Utilities (CSU) to clarify the definition of the LFMSDD's as the regional sewer provider for the Jimmy Camp Creek basin as defined in the Annexation Agreement signed by the District with the City in 1988, after the City and CSU backed down from their immediate and parallel pursue of another plant within 2 miles of the LFMSDD's plant. In addition, the City and CSU agreed to support the LFMSDD's project.

The District may also elect to bring suit against the City on another annexation issue that affects the residents of the District, that is the passive use of the "Regional Park" inside the Banning-Lewis Ranch annexed area which is now being proposed to become a raw water reservoir site. As of this writing, no decision has been made as to if or when to file a case. However, the notice of the intent has been filed with the City and Colorado Springs utilities.

**COMPARISON OF CURRENT TO PRIOR YEAR**

**GOVERNMENTAL ACTIVITIES**

ASSETS	FY 07	FY 06	% CHANGE
CAPITAL	\$2,825,191	\$2,739,980	3.1%
OTHER	\$1,150,661	\$1,067,060	7.8%
DEPRECIATION	(\$1,858,078)	(\$1,755,094)	5.9%
<b>TOTAL</b>	<b>\$2,117,774</b>	<b>\$2,051,946</b>	<b>3.2%</b>

LIABILITIES	FY 07	FY 06	% CHANGE
LONG-TERM	\$27,514,705	\$26,587,411	3.5%
OTHER	\$475,661	\$406,199	17.1%
<b>TOTAL</b>	<b>\$27,990,366</b>	<b>\$26,993,610</b>	<b>3.7%</b>

NET ASSETS	FY 07	FY 06	% CHANGE
NET OF DEBT	(\$11,454,383)	(\$11,436,610)	0.2%
RESTRICTED	\$517,526	\$311,514	66.1%
UNRESTRICTED	(\$14,935,735)	(\$13,816,568)	8.1%
<b>TOTAL</b>	<b>(\$25,872,592)</b>	<b>(\$24,941,664)</b>	<b>3.7%</b>

**BUSINESS-TYPE ACTIVITIES**

ASSETS	FY 07	FY 06	% CHANGE
CAPITAL	\$9,609,674	\$9,105,756	5.5%
OTHER	\$1,267,235	\$319,440	296.7%
DEPRECIATION	(\$2,811,302)	(\$2,642,373)	6.4%
<b>TOTAL</b>	<b>\$8,065,607</b>	<b>\$6,782,823</b>	<b>18.9%</b>

LIABILITIES	FY 07	FY 06	% CHANGE
LONG-TERM	\$250,000	\$0	100.0%
OTHER	\$116,103	\$95,935	21.0%
<b>TOTAL</b>	<b>\$366,103</b>	<b>\$95,935</b>	<b>281.6%</b>

NET ASSETS	FY 07	FY 06	% CHANGE
NET OF DEBT	\$6,798,372	\$6,463,383	5.2%
RESTRICTED	\$0	\$0	0.0%
UNRESTRICTED	\$901,132	\$223,505	303.2%
<b>TOTAL</b>	<b>\$7,699,504</b>	<b>\$6,686,888</b>	<b>15.1%</b>

The table above depicts a comparison of the financial condition of the District to the prior year. The governmental activities **Capital** assets show a 3.1% increase from the previous year due mostly to design and improvements added to the 22-acre open space parcel owned by the District. **Other** governmental assets also increased by about 7.8% due mostly to an increase in restricted cash caused by the collateralization of a short term loan for the Sewer Capital Fund from the Reserve Fund. **Depreciation** is self explanatory. On the liabilities side of government activities, the **Long-term** debt continues to increase (3.5%) due mostly to the accrued and unpaid interest for the Series B bonds of the District and to a smaller extent for the outstanding loan to purchase a new fire engine. **Other** liabilities reflect mostly accounts payable and accruals, as well as deferred revenue for taxes that will be collected in year 2008. The taxes receivable include 20 mills for operations (Governed by the Bankruptcy Plan), 2 mills for parks and 3 mills for fire protection. The latter two are not subject to TABOR by election of the voters of the District.

On the business-type activities side of the District, that is water, wastewater and contract (IGA) fire protection services, the **Capital** assets have increased (6.7%) because of several reasons: 1) the District's acquisition of assets related to the provision of contract fire services such as: fire engine, improvements to fire station, fire fighting equipment, etc.; 2) the District's improvements for wells 214 and 217; and 3) the District's ongoing investment in the LFMSDD's regional wastewater plant and interceptor project for the purpose of acquiring sewage treatment capacity for its customers. This last project is scheduled to be completed by the end of year 2011 and represents the single largest financing challenge for the District, estimated at \$6.0 million. The District will not issue general obligation debt or finance this project but, rather, use user charges and system improvement and contract connection fees to pay for it. The District has reached agreement with Cuchares to receive services from the District. In turn, the connection fees that will be charged to Cuchares will be used to help fund the design and construction of

the new wastewater treatment plant and interceptor. **Other** assets reflect a large increase of almost 300% due mostly loan revenues, investments and availability of service charges and receivables of the District.

There's only one significant increase in the **long-term** liabilities of the District in its business activities (100% increase). It relates to the bridge loan at First Community Bank to help finance the LFMSDD project until a permanent loan can be secured. This will change in 2009 when the District borrows money to help finance the LFMSDD project. Under the Other category, the 21% increase is due mostly to an increase in accounts payable and accruals.

## Overview of the Statement of Activities (Page 2)

Most of the governmental functions are funded through taxes, fees and excess revenues from governmental activities that generate income, such as the street lights and refuse disposal, and from contributions from the State lottery. Under the "Debt service – interest" \$1,237,868 is included as an expense that accrues against the District as per the bankruptcy plan. This is the largest single amount of liability that the District's governmental funds (General, Reserve and Debt) experience on an annual basis. All the other expenses of the District, such as General Government (\$104,159), public works (\$79,546), Public Safety (fire protection) (\$30,724), refuse disposal (\$67,069), Culture and Recreation (Parks) (\$39,766), and street lighting (\$13,413), add up to \$334,677 for the year. On the program revenue side, income of \$18,192 for street lights, \$83,898 for refuse disposal, \$3,000 for development fees, \$11,600 from lottery funds and \$2,794 from Richmond Homes old escrow account for parks are shown. The expenses not covered by specific fees, except debt service as regulated by the bankruptcy plan, were paid from general, developer owned and specific ownership taxes of \$425,449, earnings on investment of \$91,705, and miscellaneous income and transfers totaling \$4,979. The business-type activities generated enough revenue to pay for 100% of their operations and assist the governmental-side activities, when necessary. As presented, the business activities of the District had income of \$2,038,646 from service charges, \$22,510 from other sources (such as special fees, charges and penalties), and -\$959 from transfers to the general fund, for a total of \$2,060,197. The expenses were \$1,047,581 for operations. This yields a net change in assets of \$1,012,616 for the year or 88.5% more than in the previous year.

The net effect of all the activities of the District is that there's an annual deficit that does not get better because the Series B bonds continue to accumulate unpaid interest, while the principal remains unpaid also. This is demonstrated in the year-to-year increase in the deficit shown in the table of Change in

**Management Discussion and Analysis For the Colorado Centre Metropolitan District – F.Y. 2007**

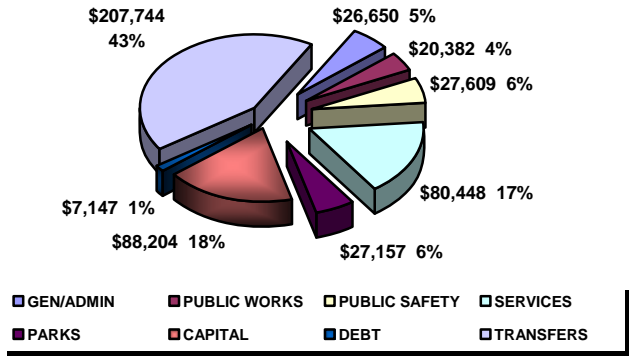
Net Assets below. Other than this, the District is financially self-sufficient and stable.

**CHANGE IN NET ASSETS**

	FY 07	FY 06	% CHANGE
GOVERNMENT	(\$930,928)	(\$971,871)	-4.2%
BUSINESS	\$1,012,616	\$537,072	88.5%
<b>TOTAL</b>	<b>\$81,688</b>	<b>(\$434,799)</b>	<b>-118.8%</b>

**GENERAL FUND EXPENSES**

TOTAL EXPENSES: \$485,341



**Fund Financial Statements**

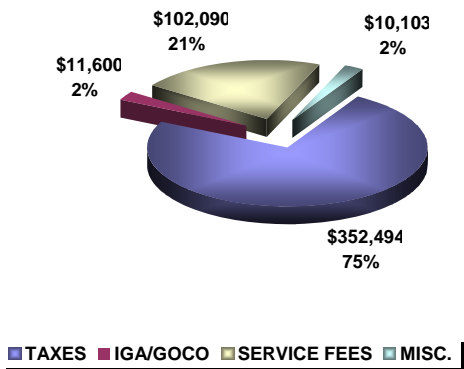
**General Fund (Page 5):** The tables that follow show the general performance of the General Fund. Revenue sources have been grouped as TAXES (general, S.O. and restricted), IGA/GOCO (for lottery funds), SERVICE FEES (street lights and trash service), and MISC. (investments, interest, other fees, transfers in, loan proceeds, and sale of assets, etc.). Similarly, expense categories have been grouped according to function and the summaries are presented in the legend of the Expenses chart. The General Fund appears to have spent \$9,054 more than it took in but that is a reflection of a starting balance of \$9,054 carrying forward from F.Y. 2006. As per the bankruptcy requirements, this amount was paid out to the bondholders.

**Reserve Fund (Page 5):** The District's reserves grew during F. Y. 2007 to \$675,000, which is the limit allowed by the bankruptcy plan of the District. Interest revenue in the amount of \$91,416 and expenses from transfers out to the Wastewater Capital Fund in the amount of \$66,416 produced a net revenue of \$25,000, which when added to a beginning balance of \$650,000 from F.Y 2006, yield the allowed fund limit.

**Debt Service Fund (Page 5):** This fund was separated from the General Fund starting in 2006 for the purpose of simplifying the tracking of payments to the bondholders of the District. As it is evident from the charts, the Debt Service Fund appears to have overspent its revenue by \$1,807. This is the result of a starting balance being available to this fund from 2006 which must be paid to the District bondholders.

**GENERAL FUND REVENUES**

TOTAL REVENUES: \$476,287



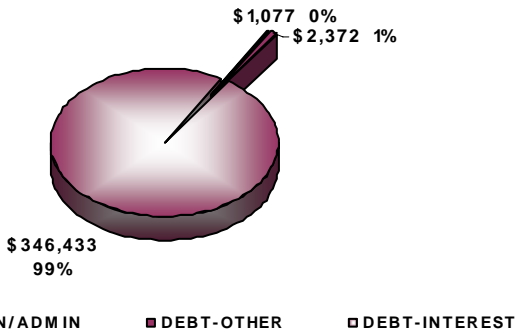
**DEBT SERVICE FUND REVENUES**

TOTAL REVENUES: \$348,075



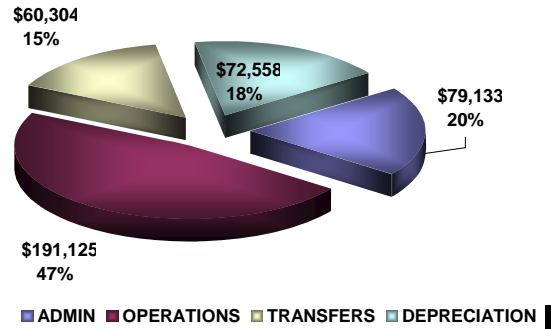
**DEBT SERVICE FUND EXPENSES**

TOTAL EXPENSES: \$ 349,882



**WATER FUND EXPENSES**

TOTAL EXPENSES: \$403,120

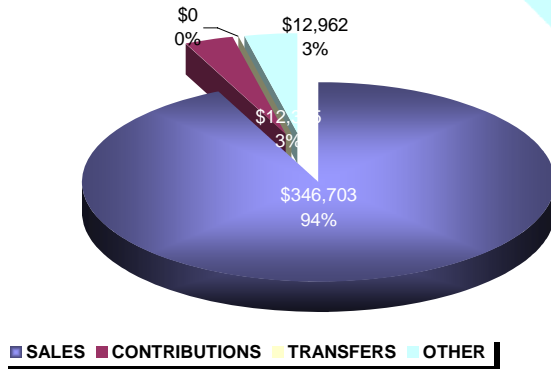


**Water Fund (Pages 7 – 10, & 35):** The breakdown presented in the charts below summarizes the activities of the fund during the year. Depreciation expenses are included but not the capital expenses. The net assets of the fund decreased by \$31,080 to \$4,272,633 mostly because of the depreciation expenses not being fully replenished on the revenue side and because funds that are in excess of what the water fund needed for operation were transferred to the Wastewater Capital Fund to help finance the water reclamation facility in the Lower Fountain area. This fund operated under budget for the year and has a net fund balance that will carry to 2008 of \$183,932.

**Wastewater Fund (Pages 7-10, & 36):** The breakdown presented in the charts below summarizes the activities of the fund during the year. Depreciation expenses are included but not the capital expenses. The net assets of the fund increased by \$346,670, to \$2,529,845, due to increased income and inter-fund subsidies received from the Water and Reserve Funds for capital projects. Investments into the Lower Fountain Metropolitan Sewage Disposal District's regional plant and interceptor project increased the Capital Assets well past this year's depreciation expenses. This fund operates under a very tight budget, but it still operated under budget for the year. The table and chart below show the distribution of revenues and expenses for F.Y. 2006.

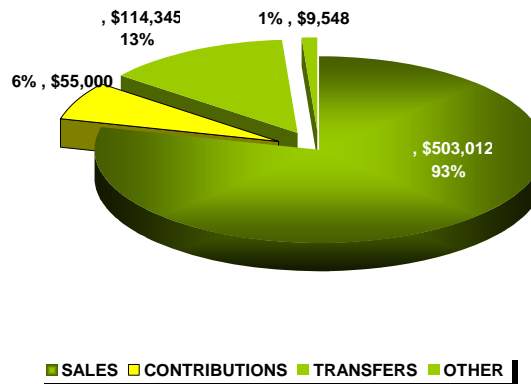
**WATER FUND REVENUES**

TOTAL REVENUES: \$372,040



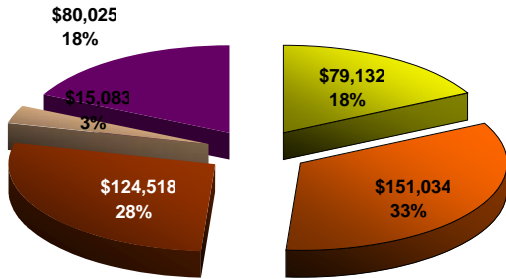
**WASTEWATER FUND REVENUES**

TOTAL REVENUES: \$851,462



**WASTEWATER FUND EXPENSES**

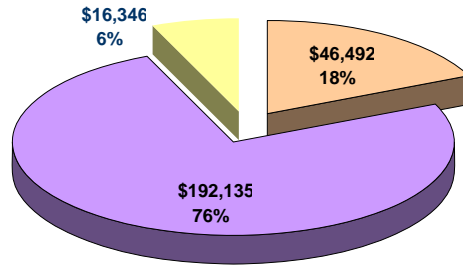
TOTAL EXPENSES: \$449,792



■ ADMIN    ■ TREATMENT    ■ OPERATIONS  
■ DEBT SERVICE    ■ DEPRECIATION

**FIRE PROTECTION SERVICE FUND EXPENSES**

TOTAL EXPENSES: \$254,973



■ ADMIN    ■ OPERATIONS    ■ DEPRECIATION

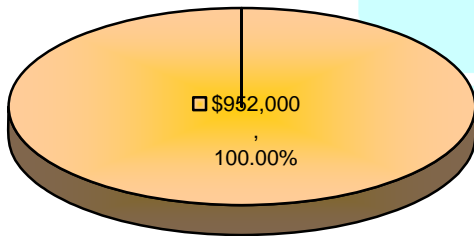
**Fire Protection Service Fund (Pages 7-10, & 37):**

The breakdown presented in the charts below summarizes the activities of the fund during the year. Depreciation, but not capital, expenses are included. The net assets of the fund increased by \$221,968 but must carry forward as a credit for the benefit of the Lorson and Rolling Hills Metropolitan District's future fire protection payments.

**Agency Fund (Page 11):** This fund contains monies invested by the District to fund the principal of the series A 1992 bonds due in 2027. The current value of the securities is \$1,337,300 which is slightly higher than reported in 2006. These funds are guaranteed to mature to yield approximately \$2,943,892 at or near the year 2027, when they will be paid out to the bondholders.

**FIRE PROTECTION SERVICE FUND REVENUES**

TOTAL REVENUES: \$952,000



■ SALES

**Closing Remarks**

All the funds of the District performed within the anticipated limits established and approved by the Board of Directors originally and after a budget amendment.

The District is pursuing additional revenue through the State's Revolving Fund and/or a private banking institution for Fiscal Year 2009 to finance its portion of the design and construction of the regional Lower Fountain Metropolitan Sewage Disposal District's sewer treatment plant and interceptor.

The notes to the audit are an integral part of the comments presented herein.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Colorado Centre Metropolitan District**  
**Statement of Net Assets**  
**December 31, 2007**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 245,179	\$ 907,266	\$ 1,152,445
Accounts receivable - net	7,078	90,669	97,747
Property taxes receivable	380,724	0	380,724
Prepaid expenses	4	7,847	7,851
Restricted cash and cash equivalents	517,526	250,000	767,526
Deposits	150	11,453	11,603
Capital assets	2,825,191	9,609,674	12,434,865
Accumulated depreciation	<u>(1,858,078)</u>	<u>(2,811,302)</u>	<u>(4,669,380)</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,117,774</u></u>	<u><u>\$ 8,065,607</u></u>	<u><u>\$ 10,183,381</u></u>
<b>LIABILITIES</b>			
Accounts payable and accruals	\$ 83,973	\$ 57,951	\$ 141,924
Deferred revenue	377,387	0	377,387
Deposits and escrow	14,301	58,152	72,453
Long term liabilities			
Due within one year	28,551	250,000	278,551
Due in more than one year	<u>27,486,154</u>	<u>0</u>	<u>27,486,154</u>
Total Liabilities	<u>27,990,366</u>	<u>366,103</u>	<u>28,356,469</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	(11,454,383)	6,798,372	(4,656,011)
Restricted	517,526	0	517,526
Unrestricted	<u>(14,935,735)</u>	<u>901,132</u>	<u>(14,034,603)</u>
Total Net Assets (Deficit)	<u>(25,872,592)</u>	<u>7,699,504</u>	<u>(18,173,088)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,117,774</u></u>	<u><u>\$ 8,065,607</u></u>	<u><u>\$ 10,183,381</u></u>

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

**Colorado Centre Metropolitan District  
Statement of Activities  
For the Year Ended December 31, 2007**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 104,159	\$ -	\$ -	\$ -	\$ (104,159)		\$ (104,159)
Public safety	30,724	-	-	-	(30,724)		(30,724)
Public works	79,546	-	-	-	(79,546)		(79,546)
Street lighting	13,413	18,192	-	-	4,779		4,779
Refuse disposal	67,069	83,898	-	-	16,829		16,829
Culture and recreation	39,766	-	11,600	2,794	(25,372)		(25,372)
Debt service - interest	1,237,868	-	-	-	(1,237,868)		(1,237,868)
Other	-	3,000	-	-	3,000		3,000
<b>Total governmental activities</b>	<b>1,572,545</b>	<b>105,090</b>	<b>11,600</b>	<b>2,794</b>	<b>(1,453,061)</b>		<b>(1,453,061)</b>
Business-type activities							
Water	342,816	359,077	-	-		16,261	16,261
Wastewater	449,793	727,569	-	-		277,776	277,776
Fire Service Fund	254,972	952,000	-	-		697,028	697,028
<b>Total business-type activities</b>	<b>1,047,581</b>	<b>2,038,646</b>	<b>-</b>	<b>-</b>		<b>991,065</b>	<b>991,065</b>
<b>Total primary government</b>	<b>\$ 2,620,126</b>	<b>\$ 2,143,736</b>	<b>\$ 11,600</b>	<b>\$ 2,794</b>	<b>(1,453,061)</b>	<b>991,065</b>	<b>(461,996)</b>
General revenues:							
					425,449	-	425,449
					91,705	-	91,705
					4,020	22,510	26,530
					959	(959)	-
					522,133	21,551	543,684
					(930,928)	1,012,616	81,688
					(24,941,664)	6,686,888	(18,254,776)
					<b>\$ (25,872,592)</b>	<b>\$ 7,699,504</b>	<b>\$ (18,173,088)</b>

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

## **FUND FINANCIAL STATEMENTS**

**Colorado Centre Metropolitan District  
Balance Sheet - Governmental Funds  
December 31, 2007**

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,917	\$ 156,272	\$ 72,990	\$ 245,179
Accounts receivable	5,876	1,202	0	7,078
Property taxes receivable	317,042	0	63,682	380,724
Prepaid expenses	4	0	0	4
Deposits	150	0	0	150
Restricted cash and cash equivalents	0	517,526	0	517,526
<b>TOTAL ASSETS</b>	<u>\$ 338,989</u>	<u>\$ 675,000</u>	<u>\$ 136,672</u>	<u>\$ 1,150,661</u>
<b>LIABILITIES</b>				
Accounts payable and accruals	\$ 10,983	\$ 0	\$ 72,990	\$ 83,973
Deferred revenue	313,705	0	63,682	377,387
Deposits and escrow	14,301	0	0	14,301
<b>Total Liabilities</b>	<u>338,989</u>	<u>0</u>	<u>136,672</u>	<u>475,661</u>
<b>FUND BALANCE</b>				
Reserved	0	517,526	0	517,526
Unreserved				
Undesignated	0	157,474	0	157,474
<b>Total Fund Balance</b>	<u>0</u>	<u>675,000</u>	<u>0</u>	<u>675,000</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 338,989</u>	<u>\$ 675,000</u>	<u>\$ 136,672</u>	<u>\$ 1,150,661</u>

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

**Colorado Centre Metropolitan District  
Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Assets  
December 31, 2007**

Total fund balance, governmental funds \$ 675,000

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 967,113

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Assets. (27,514,705)

Net Assets of Governmental Activities in the Statement of Net Assets \$ (25,872,592)

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

**Colorado Centre Metropolitan District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2007**

	General Fund	Reserve Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUE</b>				
Property taxes	\$ 301,401	\$ 0	\$ 72,956	\$ 374,357
Specific ownership taxes	51,093	0	0	51,093
Intergovernmental	11,600	0	0	11,600
Lighting usage	18,192	0	0	18,192
Refuse disposal fees	83,898	0	0	83,898
Investment earnings	288	91,416	0	91,704
Miscellaneous	9,815	0	0	9,815
Total Revenue	<u>476,287</u>	<u>91,416</u>	<u>72,956</u>	<u>640,659</u>
<b>EXPENDITURES</b>				
General and administrative	26,650	0	1,077	27,727
Public Safety	27,609	0	0	27,609
Public works	20,382	0	0	20,382
Street lights	13,379	0	0	13,379
Refuse disposal	67,069	0	0	67,069
Culture and recreation	27,157	0	0	27,157
Capital outlay	88,204	0	0	88,204
Debt service - other	0	0	2,372	2,372
Debt service - interest	7,147	0	346,433	353,580
Total Expenditures	<u>277,597</u>	<u>0</u>	<u>349,882</u>	<u>627,479</u>
Excess (deficit) of revenues over expenditures	198,690	91,416	(276,926)	13,180
Other Financing Sources (Uses)				
Transfers in	0	0	275,119	275,119
Transfers out	(207,744)	(66,416)	0	(274,160)
Net change in fund balances	(9,054)	25,000	(1,807)	14,139
Fund balance, January 1	9,054	650,000	1,807	659,054
<b>FUND BALANCE</b>				
<b>DECEMBER 31</b>	<u>\$ 0</u>	<u>\$ 675,000</u>	<u>\$ 0</u>	<u>\$ 673,139</u>

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

**Colorado Centre Metropolitan District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Change in**  
**Fund Balance of the Governmental Fund to the Statement of Activities**  
**For the Year Ended December 31, 2007**

Net change in fund balances - total governmental funds: \$ 14,139

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, in the Statement of Activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (17,774)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. 27,609

Interest on long-term debt is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (954,907)

Change in net assets of governmental activities \$ (930,928)

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

**Colorado Centre Metropolitan District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2007**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Fire Protection Service Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 189,302	\$ 495,996	\$ 221,968	\$ 907,266
Accounts receivable - net	30,376	60,293	0	90,669
Prepaid expenses	6,147	14	1,685	7,846
Total Current Assets	<u>225,825</u>	<u>556,303</u>	<u>223,653</u>	<u>1,005,781</u>
Non-current Assets				
Restricted cash and cash equivalents	0	250,000	0	250,000
Deposits	11,153	300	0	11,453
Capital assets				
Property, plant and equipment	5,532,797	3,578,971	497,906	9,609,674
Less: accumulated depreciation	<u>(1,248,396)</u>	<u>(1,546,560)</u>	<u>(16,346)</u>	<u>(2,811,302)</u>
Total Non-current Assets	<u>4,295,554</u>	<u>2,282,711</u>	<u>481,560</u>	<u>7,059,825</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,521,379</u>	<u>\$ 2,839,014</u>	<u>\$ 705,213</u>	<u>\$ 8,065,606</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable and accruals	\$ 19,178	\$ 30,585	\$ 8,186	\$ 57,949
Customer deposits	29,568	28,584	0	58,152
Notes payable, current portion	<u>0</u>	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total Liabilities	<u>48,746</u>	<u>309,169</u>	<u>8,186</u>	<u>366,101</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,284,401	2,032,411	481,560	6,798,372
Restricted	0	0	0	0
Unrestricted	<u>188,232</u>	<u>497,434</u>	<u>215,467</u>	<u>901,133</u>
Total Net Assets	<u>4,472,633</u>	<u>2,529,845</u>	<u>697,027</u>	<u>7,699,505</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,521,379</u>	<u>\$ 2,839,014</u>	<u>\$ 705,213</u>	<u>\$ 8,065,606</u>

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

**Colorado Centre Metropolitan District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Fire Protection Service Fund</u>	<u>Total</u>
<b>OPERATING REVENUE</b>				
Water sales	\$ 346,703	\$ 0	\$ 0	\$ 346,703
Sewer sales	0	672,569	0	672,569
Fire protection sales	0	0	952,000	952,000
Total Operating Revenue	<u>346,703</u>	<u>672,569</u>	<u>952,000</u>	<u>1,971,272</u>
<b>OPERATING EXPENSES</b>				
Water expenses	191,125	0	0	191,125
Sewer expenses				
Treatment	0	151,034	0	151,034
Collection and transmission	0	124,518	0	124,518
Public safety	0	0	192,135	192,135
General and administrative expenses	79,133	79,132	46,492	204,757
Debt service - interest	0	15,083	0	15,083
Depreciation	72,558	80,025	16,346	168,929
Total Operating Expenses	<u>342,816</u>	<u>449,792</u>	<u>254,973</u>	<u>1,047,581</u>
Operating Income (Loss)	<u>3,887</u>	<u>222,777</u>	<u>697,027</u>	<u>923,691</u>
<b>NON-OPERATING REVENUE</b>				
Other income	<u>12,962</u>	<u>9,548</u>	<u>0</u>	<u>22,510</u>
Total Non-Operating Revenue	<u>12,962</u>	<u>9,548</u>	<u>0</u>	<u>22,510</u>
Income before transfers and contributions	16,849	232,325	697,027	946,201
Transfer in	0	114,345	0	114,345
Transfer out	(60,304)	(55,000)	0	(115,304)
Capital contributions - tap fees	<u>12,375</u>	<u>55,000</u>	<u>0</u>	<u>67,375</u>
Change in net assets	(31,080)	346,670	697,027	1,012,617
Net assets, January 1	<u>4,503,713</u>	<u>2,183,175</u>	<u>0</u>	<u>6,686,888</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 4,472,633</u></u>	<u><u>\$ 2,529,845</u></u>	<u><u>\$ 697,027</u></u>	<u><u>\$ 7,699,505</u></u>

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

**Colorado Centre Metropolitan District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	Water Fund	Wastewater Fund	Fire Protection Service Fund	Combined Totals (Memorandum Only)
Cash flows from operating activities				
Cash received from customers	\$ 326,728	\$ 680,231	\$ 952,000	\$ 1,958,959
Cash payments to suppliers for goods and services	(179,115)	(281,466)	(142,072)	(602,653)
Cash payments to employees	(84,378)	(84,378)	(90,054)	(258,810)
Cash flows from other income	12,962	9,548	0	22,510
<b>Net Cash Provided by Operating Activities</b>	<b>76,197</b>	<b>323,935</b>	<b>719,874</b>	<b>1,120,006</b>
Cash flows from non-capital financing activities				
Operating transfers in - unrestricted	0	114,345	0	114,345
Operating transfers out - unrestricted	(47,929)	0	0	(47,929)
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<b>(47,929)</b>	<b>114,345</b>	<b>0</b>	<b>66,416</b>
Cash flows from capital and related financing activities				
Capital expenditures	(29,551)	(282,893)	(497,906)	(810,350)
Refund of capital contributions	0	306,432	0	306,432
Loan proceeds	0	250,000	0	250,000
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(29,551)</b>	<b>273,539</b>	<b>(497,906)</b>	<b>(253,918)</b>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net increase (decrease) in cash	(1,283)	711,819	221,968	932,504
Cash, beginning of year	190,585	34,177	0	224,762
<b>CASH, END OF YEAR</b>	<b>\$ 189,302</b>	<b>\$ 745,996</b>	<b>\$ 221,968</b>	<b>\$ 1,157,266</b>

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

**Colorado Centre Metropolitan District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Fire Protection Service Fund</u>	<u>Combined Totals (Memorandum Only)</u>
Reconciliation of cash and cash equivalents to the balance sheet:				
Cash and cash equivalents	\$ 189,302	\$ 495,996	\$ 221,968	\$ 907,266
Restricted cash and cash equivalents	<u>0</u>	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total cash and cash equivalents	<u>\$ 189,302</u>	<u>\$ 745,996</u>	<u>\$ 221,968</u>	<u>\$ 1,157,266</u>
Reconciliation of operating income to cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 3,887</u>	<u>\$ 222,777</u>	<u>\$ 697,027</u>	<u>\$ 923,691</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	72,558	80,025	16,346	168,929
Other income	12,962	9,548	0	22,510
Changes in assets and liabilities (Increase) decrease in:				
Accounts receivables	(21,173)	6,463	0	(14,710)
Prepaid expenses	209	209	(1,685)	(1,267)
Deposits	987	(300)	0	687
Increase (decrease) in:				
Accounts payable	7,802	6,247	1,478	15,527
Customer deposits	1,200	1,200	0	2,400
Accrued vacation	<u>(2,235)</u>	<u>(2,234)</u>	<u>6,708</u>	<u>2,239</u>
Total Adjustments	<u>72,310</u>	<u>101,158</u>	<u>22,847</u>	<u>196,315</u>
Net Cash Provided by Operating Activities	<u>\$ 76,197</u>	<u>\$ 323,935</u>	<u>\$ 719,874</u>	<u>\$ 1,120,006</u>
Non-cash investing, capital and financing activities:	None	None	None	

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

**AGENCY FUND**

**Colorado Centre Metropolitan District  
Statement of Fiduciary Net Assets  
Agency Fund  
December 31, 2007**

**ASSETS**

Restricted investments \$ 1,337,300

**TOTAL ASSETS** \$ 1,337,300

**LIABILITIES**

Due to bondholders \$ 1,337,300

**TOTAL LIABILITIES** 1,337,300

**TOTAL NET ASSETS** 0

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,337,300

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

## **NOTES TO FINANCIAL STATEMENTS**

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Colorado Centre Metropolitan District (the "District") is a quasi-municipal political subdivision of the State of Colorado organized to develop and provide certain services to Colorado Centre. Colorado Centre is a planned 4,000 acre mixed use real estate development located in El Paso County, Colorado. The District has purchased water rights, and has constructed a water distribution system, a sanitary and storm sewer collection system, roadways, signs and other improvements.

The accounting policies of the District conform to generally accepted accounting policies as applicable to governments. The following is a summary of the more significant policies:

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 Standard Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise fund, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

*A. REPORTING ENTITY*

The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to: fiscal dependency, imposition of will, legal standing and the primary recipient of services.

*B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type* activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities are financed to a significant extent by fees and charges.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*C. 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District considers property taxes as available if they are collected within 30 days after year-end. Property taxes are recognized as revenue in the fiscal period for which they are levied, providing the available criteria are met.

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental funds:

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.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)*

The *Reserve Fund* is used to account for the proceeds of specific revenue sources, which require separate accounting due to legal or regulatory provisions or administrative actions. It is used to account for monies retained by the District for the purpose of making necessary repairs and improvements to the District's facilities or to provide for the payment of any other expenses of the District to the extent funds are not otherwise available.

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of long term liabilities. Property tax revenues received for the payment of the District's long term liabilities are received by the fund, and principal and interest payments are expensed in the fund.

The District reports the following major proprietary funds:

An *Enterprise Fund* is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has three enterprise funds—the Water Fund, Wastewater Fund, and Fire Service Fund. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the government reports the following fund type:

*Fiduciary Funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others. The District has one fiduciary fund—the *Agency Fund* is custodial in nature and does not present results of operations or a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund was established to account for the assets that the District is required by the bankruptcy agreement to hold in a separate account and which can only be used for the payment of the principal on the Series A bonds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY*

*CASH AND INVESTMENTS*

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*RECEIVABLES*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible

*DUE TO AND FROM OTHER FUNDS*

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds". In the government-wide financial statements, all internal balances have been substantially eliminated.

*RESTRICTED CASH AND INVESTMENTS*

The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

*CAPITAL ASSETS*

Capital assets, which include property, plant, equipment and all infrastructure assets (e.g. street lights, drainage, signs and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

If proprietary fund assets are constructed, interest is capitalized on the assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)*

Property, plant, and equipment, including infrastructure, of the government are depreciated using the straight-line method over the following estimated useful lives:

Signage	20 years
Drainage	20 years
Vehicles	5-10 years
Furniture, fixtures and equipment	5-20 years
Fire station	40 years
Park improvements	10-20 years
Street lights	20 years
Water distribution system	20-40 years
Wastewater collection system	40 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net assets.

*COMPENSATED ABSENCES*

Accumulated unpaid vacation pay has been recorded as a liability in the financial statements. The unpaid sick pay is not material and therefore has not been recorded in the financial statements.

*LONG TERM LIABILITIES*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

*FUND EQUITY*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

*STATEMENT OF CASH FLOWS*

For purposes of the Statement of Cash Flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, government pools, and short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash and cash equivalents. Funds held in escrow are excluded from the District's definition of cash and cash equivalents.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)*

*ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds”. The details of this \$967,113 difference are as follows:

Capital assets	\$	2,825,191
Accumulated depreciation		<u>(1,858,078)</u>
Net adjustment to increase <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	\$	<u>967,113</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total 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 and reported as depreciation expense”. The details of this \$17,774 difference are as follows:

Capital outlays	\$	88,204
Depreciation		<u>(105,978)</u>
Net adjustment to decrease <i>net change in fund balances—total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	<u>(17,774)</u>

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

Another element of the reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets”. The details of this \$27,609 difference are as follows:

Principal payment on loan	27,609
Net adjustment to increase <i>net change in fund balances—total governmental fund</i> to arrive at <i>change in net assets of governmental activities</i>	\$ 27,609

Another element of the reconciliation states that “Interest on long-term debt is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due”. The details of this \$954,907 difference are as follows:

Interest expense	\$ (1,308,487)
Interest paid	353,580
Net adjustment to reduce <i>net change in fund balances—total governmental fund</i> to arrive at <i>change in net assets of governmental activities</i>	\$ (954,907)

**NOTE 3—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION*

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In the fall, the District Manager submits to the Board of Directors, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the District to obtain taxpayer comments.
- 3) Prior to December 15, the budget is legally approved.
- 4) Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- 5) Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds.
- 6) The budgets for the General, Reserve, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7) The budgets for the Water and Wastewater Funds are prepared on a basis of accounting other than generally accepted accounting principles, which is normal for proprietary funds. The primary differences are that bond proceeds are treated as a budget source, capital expenditures and principal payments are treated as a budget use.
- 8) Budgeted amounts are as originally adopted or amended.
- 9) All annual appropriations lapse at the end of the year.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 4 - CASH AND INVESTMENTS**

The District's deposits and investments consist of the following at December 31, 2007:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Deposits	\$ <u>74,171</u>	\$ <u>517,526</u>	\$ -	\$ <u>591,697</u>
Money Market Funds	\$ 322	\$ -	\$ -	\$ 322
ColoTrust	1,077,951	250,000	-	1,327,951
U.S. Agencies	<u>-</u>	<u>-</u>	<u>1,337,300</u>	<u>1,337,300</u>
Investments	<u>\$ 1,078,273</u>	<u>\$ 250,000</u>	<u>\$ 1,337,300</u>	<u>\$ 2,665,573</u>

Reconciliation of cash and cash equivalents and investments to the government-wide financial statements at December 31, 2007:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
<u>Primary Government</u>				
Governmental activities	\$ 245,179	\$ 517,526	\$ -	\$ 829,121
Business-type activities	907,266	250,000	-	1,090,849
Fiduciary activities	<u>-</u>	<u>-</u>	<u>1,337,300</u>	<u>1,337,300</u>
Total	<u>\$ 1,152,444</u>	<u>\$ 767,526</u>	<u>\$ 1,337,300</u>	<u>\$ 3,257,270</u>

*DEPOSITS*

Colorado State Statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans require the state regulators to certify eligible depositories for public deposits. The acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. 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 assets in the pool must be at least equal to 102% of the uninsured deposits.

At December 31, 2007, the carrying amount of the District's deposits was \$591,697 and the bank balances were \$718,431. Of the bank balances \$200,000 was covered by federal depository insurance and \$518,431 falls under the provisions of the Colorado Public Deposit Protection Act of 1975, which are collateralized in single institution pools.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 4 - CASH AND INVESTMENTS (CONTINUED)**

*INVESTMENTS*

The District is authorized by Colorado State Statutes to invest in the following:

- ◆ Bonds and other interest bearing obligations of the United States government.
- ◆ Bonds and other interest bearing obligations which are guaranteed by the United States government.
- ◆ Bonds which are a direct obligation of the State of Colorado, or any city, county or school district therein.
- ◆ Notes or bonds issued pursuant to the “National Housing Act”.
- ◆ Repurchase agreements.
- ◆ Local government investment pools.

As of December 31, 2007 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than 90 Days</u>	<u>16 to 21 Years</u>
Money Market Funds	\$ 322	\$ 322	\$ -
COLOTRUST	1,327,951	1,327,951	-
U.S. Agencies	<u>1,337,300</u>	<u>-</u>	<u>1,337,300</u>
Total	<u>\$ 2,665,573</u>	<u>\$ 1,328,273</u>	<u>\$ 1,337,300</u>

The District’s investments are subject to interest rate risk and credit risk as described below:

*Interest Rate Risk.* State law limits investments with a maximum maturity date of no more than five years from the date of purchase. The District does not have an investment policy that would further limit its investment choices, except for investments in the Agency Fund. The Bankruptcy agreement requires the District to purchase federal securities with a maturity date as near as possible to January 1, 2027.

*Credit Risk.* State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2007 all of the District’s investments were rated AAA by Moody’s.

COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function 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. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2007 consisted of the following:

	<u>General</u>	<u>Reserve</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Account receivable – user fees	\$ 5,876	\$ 0	\$ 26,889	\$ 56,806	\$ 89,571
Accounts receivable – other	<u>2,216</u>	<u>1,202</u>	<u>3,487</u>	<u>3,487</u>	<u>8,176</u>
Totals	<u>\$ 5,876</u>	<u>\$ 1,202</u>	<u>\$ 30,376</u>	<u>\$ 60,293</u>	<u>\$ 97,747</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Interfund transfers*

The following transfers were made in 2007 to transfer excess balance in the General Fund to the Debt Service Fund and to transfer funds to the Wastewater Fund for future capital projects.

<u>Transfer in</u>	<u>Transfer out</u>	
Debt Service Fund	General Fund	\$ 207,744
	Water Fund	12,375
	Wastewater Fund	55,000
Wastewater Fund	Water Fund	47,929
	Reserve Fund	66,416

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 7 - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are payable in two installments on February 28 and June 15, or in one installment due April 30. El Paso County bills and collects property taxes for the District. District property tax revenues are accounted for in the General and Debt Service Funds. Property tax revenues are recognized as a receivable and deferred revenue when levied and as a revenue when due for collection in the following year. The combined tax rate for the year ended December 31, 2007 was 25.014 mills. The District's assessed valuation for collection year 2007 was \$12,059,570. In addition to the above, there was a tax of 100 mills on "Developer Owned Property". The assessed valuation of "Developer Owned Property" for collection year 2007 was \$759,650. The maximum mill levy is set at 20 mills for all taxable property in the District, as discussed in Section 406 of the Bankruptcy Plan. However, the maximum mill levy can be increased as necessary to raise an equivalent amount of tax revenues as that in certification year 1990. In addition to the maximum mill levy of 20 mills set by the Bankruptcy Plan, the District also levied, after receiving the approval of voters on November 1, 2005, 3.00 mills for fire protection and 2.00 mills for parks.

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/07</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 86,361	\$ -	\$ -	\$ 86,361
Capital assets, being depreciated:				
Signage	93,274	-	-	93,274
Drainage	1,309,959	-	-	1,309,959
Vehicles	440,129	-	-	440,129
Furniture, fixtures and equipment	35,201	197	-	35,398
Fire station	646,846	-	(2,994)	643,852
Parks	127,526	88,007	-	215,533
Street lights	<u>685</u>	<u>-</u>	<u>-</u>	<u>685</u>
Total capital assets being depreciated	2,653,620	88,204	(2,994)	2,738,830
Less accumulated depreciation	<u>(1,755,094)</u>	<u>(105,978)</u>	<u>2,994</u>	<u>(1,858,078)</u>
Total capital assets depreciated, net	<u>898,526</u>	<u>(17,774)</u>	<u>-</u>	<u>880,752</u>
Total capital assets, net	<u>\$ 984,887</u>	<u>\$ (17,774)</u>	<u>\$ -</u>	<u>\$ 967,113</u>

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 8 – CAPITAL ASSETS (CONTINUED)**

	<u>Balance</u> <u>12/31/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/07</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Water augmentation plan	\$ 1,240,077	\$ -	\$ -	\$ 1,240,077
Water shares	1,490,198	-	-	1,490,198
Water wells	234,009	23,318	-	257,327
Lower Fountain Metropolitan Sewage Regional Plant & Interceptor	<u>595,449</u>	<u>273,862</u>	<u>(306,432)</u>	<u>562,879</u>
Total capital assets, not being depreciated	<u>3,559,733</u>	<u>297,180</u>	<u>(306,432)</u>	<u>3,550,481</u>
Capital assets, being depreciated:				
Water tank	301,848	-	-	301,848
Water distribution system	2,176,127	2,297	-	2,178,424
Wastewater collection system	2,951,042	8,637	-	2,959,679
Fire Station	-	224,319	-	224,319
Vehicles	49,850	203,153	-	253,003
Equipment	<u>67,156</u>	<u>74,764</u>	<u>-</u>	<u>141,920</u>
Total capital assets being depreciated	5,546,023	513,170	-	6,059,193
Less accumulated depreciation	<u>(2,642,373)</u>	<u>(168,929)</u>	<u>-</u>	<u>(2,811,302)</u>
Total capital assets, being depreciated, net	<u>2,903,650</u>	<u>344,241</u>	<u>-</u>	<u>3,247,891</u>
Total capital assets, net	<u>\$ 6,463,383</u>	<u>\$ 641,421</u>	<u>\$ (306,432)</u>	<u>\$ 6,798,372</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
General government	\$ 946
Public safety	33,718
Public works	59,164
Street lighting	34
Culture and recreation	<u>12,116</u>
Total depreciation expense—governmental activities	<u>\$ 105,978</u>
Business-type activities:	
Water	\$ 72,558
Wastewater	80,025
Fire Protection Service	<u>16,346</u>
Total depreciation expense—business-type activities	<u>\$ 168,929</u>

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 9 - DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code §457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The District matches the employee's contributions up to 5% of the employee's base salary. The District's contributions during 2007 were \$8,733. The employees contributed \$27,700 to the plan in 2007.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN**

*Plan Description.* The Colorado Centre Metropolitan District contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Fire and Police Pension Association. The Statewide Defined Benefit Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members through the Statewide Death and Disability Plan which is also administered by the Colorado Fire and Police Pension Association. This is a non-contributory plan. All full-time, paid firefighters of the Colorado Centre Metropolitan District are members of the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. Title 31, Article 30 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for both the Statewide Defined Benefit Plan and the Statewide Death and Disability Plan. That report may be obtained by writing to FPPA of Colorado, 5290 DTC Parkway, Suite 100, Englewood, Colorado 80111 or by calling FPPA at 770-3772 in the Denver metro area, or 1-800-332-FPPA (3772) from outside the metro area.

*Basis of accounting for the Statewide Defined Benefit Plan.* The financial statements of the Statewide Defined Benefit Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and are payable in accordance with the terms of the plan. The Statewide Defined Benefit Plan investments are presented at fair value except for short-term investments which are recorded at cost, which approximates fair value.

*Funding Policy.* Plan members and the Colorado Centre Metropolitan District are required to contribute at a rate set by statute. The contribution requirements of plan members and the Colorado Centre Metropolitan District are established under Title 31, Article 30, Part 10 of the CRS, as amended. The contribution rate for members is 8.0% of covered salary and for Colorado Centre Metropolitan District it is 8.0% of covered salary. The Colorado Centre Metropolitan District contributions to the Statewide Defined Benefit Plan for the year ending December 31, 2007 was \$5,490, equal to their required contributions for the year.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 11 - LONG-TERM LIABILITIES**

*LONG-TERM DEBT*

*1992 Bond Issue - Limited Tax and Special Revenue Bonds*

As the result of a bankruptcy ruling in 1992, the District issued bonds in the principal amount of \$12,665,000 (New Bond). Holders of District bonds issued in 1985, 1986 and 1987 received these bonds in an aggregate principal amount equal to 50% of the principal amount of bonds held.

The District issued the bonds in two series, Series A and Series B. \$3,000,000 in principal amount were Series A bonds and \$9,665,000 in principal amount were Series B bonds. Of the bonds, each bondholder received 23.7% as Series A bonds and 76.3% as Series B bonds, which included Boettcher's contribution, which has now expired. The Series A bonds were issued as fully registered principal only bonds (Series A P/Os) and as registered interest only bonds (Series A I/Os) representing the interest payments due on the Series A P/Os each payment date.

Section 1143 of the bankruptcy law specifically applicable to Chapter 9 bankruptcy proceedings requires that if a plan provides for the exchange of securities, the surrender of the old securities must occur no later than five years after the date of the entry of the order of confirmation (June 21, 1992 for the District). If the holder of the securities does not present them within that time period, the holder is not permitted to participate in the distribution of the new securities under the plan. Therefore, as of June 21, 1998, the holders of untendered 1985, 1986 & 1987 bonds were no longer permitted to participate in the 1992 Series A and B bonds. An adjustment was made to decrease principal, accrued interest and interest due as of and for the year ended December 31, 1997, as follows:

Series A, Principal	\$ 56,108
Series B, Principal	<u>187,396</u>
Total Adjustment	<u>\$ 243,504</u>

*THE 1992 BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED TAX AND SPECIAL REVENUE BONDS, THE REPAYMENT OF WHICH IS LIMITED AS SET FORTH IN THE BANKRUPTCY PLAN AND AS SUMMARIZED BELOW.*

For the purpose of paying the interest on and principal of the bonds as the same become due and payable, respectively, and payment for District operations, maintenance and deposits to the Reserve Fund, the District shall certify a maximum mill levy, as set forth in the bankruptcy plan, to the Board of County Commissioners of El Paso County, Colorado. For each of the certification years beginning 1990 to and including 1995 a maximum of 22 mills could be certified on all of the taxable property in the District. For 1996 and subsequent years, as long as any bond is outstanding, a maximum of 20 mills can be certified on all of the taxable property in the District with the following exception. In the event that the assessed valuation within the District for any certification year is less than the assessed valuation for certification year 1990, the District shall increase the maximum mill levy imposed on property to generate property tax revenue equivalent to the amount of property tax calculated using the 1990 assessed valuation multiplied times the maximum mill levy of 20 mills.

The Series A P/Os and Series B bonds were dated as of January 1, 1992. The Series A P/Os are scheduled to mature on January 1, 2027, and bear interest at 9%, which is represented by the Series A I/Os. The Series B bonds bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from January 1, 1992, payable on each payment date to January 1, 2032. The Series B bonds mature on January 1, 2032 and accrue interest at 10.19%.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)**

Principal and interest will be payable on the bonds only to the extent of funds in the General Fund. Interest not paid in the year in which it accrues is not forgiven but rather is accrued. Unpaid bond principal plus accrued interest will not exceed a cumulative liability to the District of \$65 million.

To the extent permitted by law, the District will also certify a 100 mill levy applicable to all “Developer Owned Property”. “Developer Owned Property” is defined in the resolution as the vacant, unimproved or unbuilt property within the District owned by a developer.

The District has agreed to impose a minimum tap fee of \$3,500 for residential taps and has pledged all tap fees received by the District to the payment of the principal and interest on the bonds.

If by January 1, 2032 the District does not contain 1,500 single-family residences within its boundary, the District shall have no further obligation to make additional payments of principal or interest on any New Bonds, except to the extent of amounts on deposit in the debt service account or from pledged funds which it has received prior to January 1, 2032 and its obligations under the Resolution will terminate and the New Bonds will be deemed fully paid and discharged. After January 1, 2042 the District shall have no further obligation to make any additional payments of principal or interest on any New Bonds, except to the extent of amounts on deposit in the debt service account or from pledged funds which it has received prior to January 1, 2042 and its obligation under the bankruptcy ruling shall terminate and the New Bonds shall be deemed fully paid and discharged.

Amounts deposited, by the District, in the debt service account within the General fund will be applied on each payment date as follows:

*Payment of Series A I/Os (interest only)* - first payment is applied against any amount of accrued and unpaid interest.

*Escrow for Series A P/Os (principal only)* - second payment is used to purchase federal securities with a maturity date as near as possible to January 1, 2027 which shall be held as a separate account and used only to pay Series A P/Os. When the funds to be generated from such federal securities, as they become due, are sufficient to pay (assuming no reinvestment of funds) in full all Series A P/Os, when they become due, no further purchases shall be made.

The District has set aside amounts for the payment of the principal of the Series A bonds in the Agency Fund.

*Payment of Series B Interest* - the balance of any funds held on any payment date shall be used to pay accrued and unpaid interest (including as of such payment date) or the Series B bonds in the order of maturity of such payment and shall include partial payment of interest due if the funds available are insufficient to pay all accrued interest.

*Prepayment* - the prepayment or payment of principal of the Series B bonds.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)**

*Summary of bond debt service requirements to maturity:*

*Governmental activities -*

	<u>Principal</u>	<u>Unpaid Interest</u>	<u>Total</u>	<u>Interest</u>
<i>Series A:</i>				
2008	\$ 0	\$ 0	\$ 0	\$ 264,950
2009	0	0	0	264,950
2010	0	0	0	264,950
2011	0	0	0	264,950
2012	0	0	0	264,950
2013-2017	0	0	0	1,324,750
2018-2022	0	0	0	1,324,750
2023-2027	<u>2,943,892</u>	<u>0</u>	<u>2,943,892</u>	<u>1,192,275</u>
Totals	<u>\$ 2,943,892</u>	<u>\$ 0</u>	<u>\$ 2,943,892</u>	<u>\$ 5,166,525</u>

	<u>Principal</u>	<u>Unpaid Interest</u>	<u>Total</u>	<u>Interest</u>
<i>Series B:</i>				
2008	\$ 0	\$ 0	\$ 0	\$ 965,768
2009	0	0	0	965,768
2010	0	0	0	965,768
2011	0	0	0	965,768
2012	0	0	0	965,768
2013-2017	0	0	0	4,828,840
2018-2022	0	0	0	4,828,840
2023-2027	0	0	0	4,828,840
2028-2032	<u>9,477,604</u>	<u>14,871,652</u>	<u>24,349,256</u>	<u>4,345,956</u>
Totals	<u>\$ 9,477,604</u>	<u>\$ 14,871,652</u>	<u>\$ 24,349,256</u>	<u>\$ 23,661,316</u>

	<u>Principal</u>	<u>Unpaid Interest</u>	<u>Total</u>	<u>Interest</u>
<i>TOTAL SERIES A AND B:</i>				
2008	\$ 0	\$ 0	\$ 0	\$ 1,230,718
2009	0	0	0	1,230,718
2010	0	0	0	1,230,718
2011	0	0	0	1,230,718
2012	0	0	0	1,230,718
2013-2017	0	0	0	6,153,590
2018-2022	0	0	0	6,153,590
2023-2027	0	0	0	6,021,115
2028-2032	<u>12,421,496</u>	<u>14,871,652</u>	<u>27,293,148</u>	<u>4,345,956</u>
Totals	<u>\$ 12,421,496</u>	<u>\$ 14,871,652</u>	<u>\$ 27,293,148</u>	<u>\$ 28,827,841</u>

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)**

*Summary of changes in long-term debt:*  
*Governmental activities -*

	<u>Principal</u>	<u>Unpaid Interest</u>	<u>Total</u>
<i>Series A:</i>			
Balance, December 31, 2006	\$ 2,943,892	\$ 0	\$ 2,943,892
Add Interest due July 1, 2007 and January 1, 2007	0	264,950	264,950
Less Payment to bondholders in 2007	<u>0</u>	<u>(264,950)</u>	<u>(264,950)</u>
Balance, December 31, 2007	<u>\$ 2,943,892</u>	<u>\$ 0</u>	<u>\$ 2,943,892</u>
<i>Series B:</i>			
Balance, December 31, 2006	\$ 9,477,604	\$ 13,916,749	\$ 23,394,353
Add Interest due 2007	0	965,765	965,765
Less Payment in 2007	<u>0</u>	<u>(10,862)</u>	<u>(10,862)</u>
Balance, December 31, 2007	<u>\$ 9,477,604</u>	<u>\$ 14,871,652</u>	<u>\$ 24,349,256</u>
<i>Total (Series A and B):</i>			
Balance, December 31, 2006	\$ 12,421,496	\$ 13,916,749	\$ 26,338,245
Add Interest due July 1, 2007 and January 1, 2007	0	1,230,715	1,230,715
Less Payments in 2007	<u>0</u>	<u>(275,812)</u>	<u>(275,812)</u>
Balance, December 31, 2007	<u>\$ 12,421,496</u>	<u>\$ 14,871,652</u>	<u>\$ 27,293,148</u>

**LOANS PAYABLE**

The District entered into a loan on January 5, 2005 in the amount of \$300,000. The loan requires 120 monthly payments of \$2,904 including interest at 3%. The final loan payment is due on January 5, 2015. This loan is collateralized by bank accounts in the amount of \$254,253.

The District entered into a loan on January 2, 2007 in the amount of \$250,000. The interest rate on the loan is 6.25%. Full payment of principal and interest is due on December 31, 2008. This loan is collateralized by bank accounts in the amount of \$263,273.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)**

*LOANS PAYABLE (CONTINUED)*

Annual debt service requirements to maturity for the loans are as follows:

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 28,551	\$ 6,292
2009	29,434	5,409
2010	30,344	4,499
2011	31,282	3,561
2012	32,249	2,594
2013 - 2015	<u>69,697</u>	<u>2,165</u>
Total	<u>\$ 221,557</u>	<u>\$ 24,520</u>

<u>Year</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	<u>\$ 250,000</u>	<u>\$ 15,625</u>
Total	<u>\$ 250,000</u>	<u>\$ 15,625</u>

*CHANGES IN LONG-TERM LIABILITIES*

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2007:

	<u>Balance</u> <u>12/31/06</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/07</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental activities:</i>					
Long-term debt:					
Limited tax and special revenue bonds	\$ 12,421,496	\$ -	\$ -	\$ 12,421,496	\$ -
Unpaid interest	13,916,749	1,230,715	275,812	14,871,652	-
Loans	<u>249,166</u>	<u>-</u>	<u>27,609</u>	<u>221,557</u>	<u>28,551</u>
Total governmental activity					
Long-term liabilities	<u>\$ 26,587,411</u>	<u>\$ 1,230,715</u>	<u>\$ 303,421</u>	<u>\$ 27,514,705</u>	<u>\$ 28,551</u>
<i>Business-type activities:</i>					
Loans	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Total business-type activity					
Long-term liabilities	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 12 – NET ASSETS**

The District has net assets consisting of three components—Invested in capital assets, net of related debt; Restricted; and Unrestricted.

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2007, the District had a deficit invested in capital assets, net of related debt of (\$4,656,011).

Invested in Capital Assets, Net of Related Debt:

Capital assets, net of depreciation	\$ 7,765,485
Long-term liabilities:	
Due within one year	0
Due in more than one year	<u>(12,421,496)</u>

Total Invested in Capital Assets, Net of Related Debt	<u>\$ (4,656,011)</u>
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Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2007, the District had restricted net assets of \$517,526.

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets. The District utilizes unrestricted net assets before using restricted net assets. As of December 31, 2007, the District had a deficit unrestricted net assets of (\$14,034,603).

**NOTE 13- COMMITMENTS AND CONTINGENCIES**

*Water Tank Lease* - The District leases certain land on which a water tank is located. Rental expense totaled \$8,200 during the year ended December 31, 2007. The lease term is 25 years beginning September 20, 1984 and ending on September 19, 2009. The annual rental rate, as per the agreement, is 10% of the appraised value of the land. A land appraisal is required every five years to determine the rental rate for the next five years. The land appraisal was performed during 2005 to determine the current rental rate. The future minimum lease payments were computed using the rate effective December 31, 2007 as follows:

2008	\$	<u>8,200</u>
Total	<u>\$</u>	<u>8,200</u>

*Sewage Disposal Agreement* - On March 12, 1988, the District entered into a Sewage Treatment and Disposal Agreement with the Lower Fountain Metropolitan Sewage Disposal District (LFMSDD) and certain other entities. The agreement provides for the construction and operation of a regional sewage treatment plant to be used by the District and such entities. Pursuant to the agreement, the construction of the plant is to be funded through either the issuance of bonds by the LFMSDD or pro rata (as defined) contributions by each of the parties to the agreement. It is anticipated that the construction will be funded through pro rata contributions. In addition to the construction costs, each of the parties is to fund it's pro rata share of operating and maintenance expenses once the plant is operational.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 13- COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Fire Protection Service Agreements* – During the year the District provided fire protection services, according to intergovernmental Fire Protection Agreements, for both Rolling Hills Ranch Metropolitan District and Lorson Ranch Metropolitan District. The agreement provides that Colorado Centre Metropolitan District will equip, maintain, staff and operate a full-time fire department to provide fire protection service to these Districts. The Districts will pay the costs associated with the services including any administrative, accounting, legal, engineering, construction, or other professional services incurred. The agreements have been extended for the next fiscal year.

**NOTE 14 - RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

**NOTE 15 - AMENDMENT TO COLORADO CONSTITUTION (CONTINUED)**

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. However, the District is also under an order by the United States Bankruptcy Court for the District of Colorado which governs the Districts taxing requirements and it is the belief of the District that the mandates of the bankruptcy plan take precedence over the requirements of Amendment 1. The District believes it is in compliance with the requirements of the amendment to the extent that it applies. However, the District has made certain interpretations in the amendment's language in order to determine its compliance. It is the opinion of the District that they do not have any revenues subject to Tabor. The Water, Wastewater, and Fire Service Funds are considered to be enterprises and the revenues in the governmental funds are governed by the bankruptcy plan. As a result, the District has not set up an emergency reserve.

**Colorado Centre Metropolitan District**  
**Notes to Financial Statements**  
**December 31, 2007**

**NOTE 16 – TABOR ELECTION**

On November 1, 2005 the voters of the District approved that taxes may be increased starting in 2006 by \$34,800 through a three mill levy increase to pay for costs related to contracting for fire protection services with the City of Colorado Springs or any other entity, administrative services, and to create a reserve fund to pay for fire services with any of the remaining three mills.

On November 1, 2005 the voters of the District approved that taxes may be increased starting in 2006 by \$23,200 through a two mill levy increase for parks and open space.

On November 1, 2005 the voters of the District also approved that for tax year 2005, collection year 2006, and each subsequent year thereafter, to retain and spend District revenues from the mill levy increases requested in the above two ballot questions for fire protection services and park improvements and maintenance, in excess of the spending, revenue raising, or other limits in Article X, Section 20 of the Colorado Constitution, using such revenues as authorized for fire protection, park facilities and other purposes described under the Special District Act, Section 32-1-101 et seq., and other provisions of the Colorado Revised Statutes pertaining to the District's powers, duties and responsibilities, as the same are amended from time to time, and as otherwise necessary for the prudent management, operation and maintenance of the District's facilities.

**NOTE 17 – SUBSEQUENT EVENTS**

The District has renewed its intergovernmental agreement with Lorson and Rolling Hills Metropolitan Districts to provide fire protection in 2008.

The District has entered into an intergovernmental agreement with Cuchares Ranch Metropolitan District whereby Colorado Centre Metropolitan District will provide fire protection, water and sewer, parks, trash collection, street lights and other similar services to Cuchares.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Colorado Centre Metropolitan District  
General Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual  
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Property taxes	\$ 301,839	\$ 301,839	\$ 301,401	\$ (438)
Specific ownership taxes	54,000	54,000	51,093	(2,907)
Intergovernmental	15,120	15,120	11,600	(3,520)
Lighting usage	24,900	24,900	18,192	(6,708)
Refuse disposal fees	84,960	84,960	83,898	(1,062)
Interest	0	0	288	288
Miscellaneous	2,400	7,400	9,815	2,415
<b>TOTAL REVENUE</b>	<b>483,219</b>	<b>488,219</b>	<b>476,287</b>	<b>(11,932)</b>
<b>EXPENDITURES</b>				
General and administrative	51,332	51,332	26,650	24,682
Public safety	34,848	34,848	27,609	7,239
Public works	26,400	26,400	20,382	6,018
Street lights	16,320	16,320	13,379	2,941
Refuse disposal	65,100	65,100	67,069	(1,969)
Culture and recreation	32,400	32,400	27,157	5,243
Capital outlay	36,000	50,054	88,204	(38,150)
Miscellaneous	3,525	3,525	0	3,525
Transfers out	217,294	217,294	207,744	9,550
Debt service - interest	0	0	7,147	(7,147)
<b>TOTAL EXPENDITURES</b>	<b>483,219</b>	<b>497,273</b>	<b>485,341</b>	<b>11,932</b>
Net change in fund balances	0	(9,054)	(9,054)	0
Fund balance, January 1	0	9,054	9,054	0
<b>FUND BALANCE, DECEMBER 31</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

**Colorado Centre Metropolitan District  
Reserve Fund  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual  
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Interest	\$ 36,000	\$ 36,000	\$ 91,416	\$ 55,416
<b>TOTAL REVENUE</b>	<u>36,000</u>	<u>36,000</u>	<u>91,416</u>	<u>55,416</u>
<b>EXPENDITURES</b>				
Miscellaneous	675,000	675,000	0	675,000
Transfers out	11,000	11,000	66,416	(55,416)
<b>TOTAL EXPENDITURES</b>	<u>686,000</u>	<u>686,000</u>	<u>66,416</u>	<u>619,584</u>
Net change in fund balances	(650,000)	(650,000)	25,000	675,000
Fund balance, January 1	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>	<u>0</u>
<b>FUND BALANCE, DECEMBER 31</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 675,000</u></u>	<u><u>\$ 675,000</u></u>

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

## **SUPPLEMENTAL INFORMATION**

**Colorado Centre Metropolitan District  
Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual  
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Developer taxes	\$ 75,965	\$ 75,965	\$ 72,956	\$ (3,009)
Transfers in	228,294	295,669	275,119	(20,550)
<b>TOTAL REVENUE</b>	<b>304,259</b>	<b>371,634</b>	<b>348,075</b>	<b>(23,559)</b>
<b>EXPENDITURES</b>				
General and administrative	1,129	1,129	1,077	52
Debt service - administrative	10,000	10,000	2,372	7,628
Debt service - interest	293,130	362,312	346,433	15,879
<b>TOTAL EXPENDITURES</b>	<b>304,259</b>	<b>373,441</b>	<b>349,882</b>	<b>23,559</b>
Net change in fund balances	0	(1,807)	(1,807)	0
Fund balance, January 1	0	1,807	1,807	0
<b>FUND BALANCE, DECEMBER 31</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

**Colorado Centre Metropolitan District**  
**Schedule of Revenues, Expenses, and Changes in Fund Net Assets**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Water Fund**  
**For the Year Ended December 31, 2007**

	Actual	Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Water sales	\$ 305,225	\$ 368,552	\$ (63,327)
Water tap fees - restricted	12,375	12,375	0
Water capital improvement fees	29,103	27,492	1,611
Water system improvement fees	12,375	180,000	(167,625)
Other income	12,962	5,100	7,862
Beginning fund balance	176,305	141,629	34,676
<b>TOTAL REVENUES</b>	548,345	735,148	(186,803)
<b>EXPENSES</b>			
General and administrative expenses	79,133	81,995	2,862
Source of supply and distribution	191,125	255,000	63,875
Capital outlay	29,551	350,321	320,770
Miscellaneous	0	5,752	5,752
Transfer out - restricted	12,375	12,375	0
Transfer out - unrestricted	47,929	29,705	(18,224)
<b>TOTAL EXPENSES</b>	360,113	735,148	375,035
<b>EXCESS OF REVENUES OVER EXPENSES</b>	188,232	\$ 0	\$ 188,232
Add:			
Capital expenditures	29,551		
Less:			
Depreciation	(72,558)		
Beginning fund balance	(176,305)		
<b>NET CHANGE IN FUND BALANCE</b>	\$ (31,080)		

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

**Colorado Centre Metropolitan District**  
**Schedule of Revenues, Expenses, and Changes in Fund Net Assets**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Wastewater Fund**  
**For the Year Ended December 31, 2007**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Sewer sales	\$ 369,016	\$ 382,368	\$ (13,352)
Sewer tap fees - restricted	55,000	55,000	0
Sewer availability of sewer charges	123,525	114,252	9,273
Sewer system improvement fees	180,028	298,728	(118,700)
Other income	259,548	256,780	2,768
Transfer in - unrestricted	114,345	29,705	84,640
Beginning fund balance	47,199	0	47,199
	<u>1,148,661</u>	<u>1,136,833</u>	<u>11,828</u>
<b>EXPENSES</b>			
General and administrative expenses	79,132	81,995	2,863
Treatment expenditures	151,034	162,000	10,966
Collection and transmission	124,518	162,600	38,082
Capital outlay	(23,539)	397,980	421,519
Debt service	15,083	265,000	249,917
Miscellaneous	0	12,258	12,258
Transfer out - restricted	55,000	55,000	0
	<u>401,228</u>	<u>1,136,833</u>	<u>735,605</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	747,433	<u>\$ 0</u>	<u>\$ 747,433</u>
Add:			
Capital expenditures	(23,539)		
Less:			
Loan proceeds	(250,000)		
Depreciation	(80,025)		
Beginning fund balance	<u>(47,199)</u>		
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 346,670</u>		

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

**Colorado Centre Metropolitan District**  
**Schedule of Revenues, Expenses, and Changes in Fund Net Assets**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Fire Protection Service Fund**  
**For the Year Ended December 31, 2007**

	Actual	Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Fire protection sales	\$ 952,000	\$ 952,000	\$ 0
<b>TOTAL REVENUES</b>	952,000	952,000	0
<b>EXPENSES</b>			
General and administrative expenses	46,492	59,000	12,508
Public Safety	192,135	418,000	225,865
Capital Outlay	497,906	475,000	(22,906)
<b>TOTAL EXPENSES</b>	736,533	952,000	215,467
<b>EXCESS OF REVENUES OVER EXPENSES</b>	215,467	\$ 0	\$ 215,467
Add:			
Capital expenditures	497,906		
Less:			
Depreciation	(16,346)		
<b>NET CHANGE IN FUND BALANCE</b>	\$ 697,027		

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