

**COLORADO CENTRE METROPOLITAN
DISTRICT**

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
With Independent Auditors' Report

Year Ended December 31, 2011

**COLORADO CENTRE METROPOLITAN DISTRICT
TABLE OF CONTENTS
DECEMBER 31, 2011**

	Page
Independent Auditors' Report	
Management's Discussion and Analysis	i
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6
Statement of Net Assets – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Fund Net Assets—Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Statement of Fiduciary Net Assets—Agency Fund	11
Notes to Financial Statements	12
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	33
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Reserve Fund	34
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	35
Schedule of Revenues, Expenses and Changes in Fund Net Assets Budget and Actual (Non-GAAP Budgetary Basis) – Water Fund	36
Schedule of Revenues, Expenses and Changes in Fund Net Assets Budget and Actual (Non-GAAP Budgetary Basis) – Wastewater Fund	37
Schedule of Revenues, Expenses and Changes in Fund Net Assets – Water Fund Capital Information	38
Schedule of Revenues, Expenses and Changes in Fund Net Assets – Wastewater Fund Capital Information	39
Cash Flow Summary of Net Revenues Available for Debt Service – Wastewater Fund	40



INDEPENDENT AUDITORS' REPORT

To the 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, each major fund, and the aggregate remaining fund information of Colorado Centre Metropolitan District as of and for the year ended December 31, 2011, 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, each major fund, and the aggregate remaining fund information of Colorado Centre Metropolitan District as of December 31, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Colorado Centre Metropolitan District's financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
May 11, 2012

Management Discussion and Analysis for the 2011 Audit of the Colorado Centre Metropolitan District

**By: Alvaro J. Testa, Ph.D., P.E., District Manager
and Cindy Monroe, Assistant District Manager**

The management staff of the Colorado Centre Metropolitan District (District) has prepared this discussion to provide a general overview of the financial activities and condition of the District for the fiscal year ending on December 31, 2011. 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 and 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) and enterprise (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 first responder, street lighting and refuse disposal). The Business-type Activities reflect the operations of the two newly formed enterprises (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 focus on near-term inflows, outflows and balances of appropriated resources available for a specific fiscal year. Such information is 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 statements, it is useful to compare the information presented in both types of statements. By doing so, readers can 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.

The District's Fiduciary Fund, the Agency Fund, 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 on 1/1/ 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 of \$31,071,582 which mainly represents accrued but unpaid principal and interest of its 1992 bonds. The fully collateralized principal of the Series A 1992 bonds has a current market value of \$2,115,345. 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 must be satisfied first. Eventually, the debt is forgiven, if funds are not available to cancel the debt as specified in the plan. If the bankruptcy debt components were removed from the financial activities, the District's excellent health becomes apparent. Yet, it is likely that the District's assets will continue to decrease annually because of depreciation expenses which are only partially recovered by the District through its monthly capital improvement service charges.

The Cuchares Ranch area was included into the boundaries of the District in early 2009. The first phase of the development which encompasses 112 units is built out while Phase II, filings II and II are platted and about 25% of the over 57 homes are now under construction or built.

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 purchased. This type of charge is allowed by State Statutes to help pay off debt associated with specific project(s) that benefit said parcels. The ASC 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 the plant portion of the project and about a 12% stakeholder in the interceptor.

LIABILITIES	FY11	FY10	% CHANGE
LONG-TERM	\$31,071,582	\$30,105,814	3.2%
OTHER	\$445,012	\$442,614	0.5%
TOTAL	\$31,516,594	\$30,548,428	3.2%

NET ASSETS	FY11	FY10	% CHANGE
NET OF DEBT	(\$11,164,063)	(\$11,096,882)	0.6%
RESTRICTED		\$0	0.0%
UNRESTRICTED	(\$17,882,896)	(\$17,044,332)	4.9%
TOTAL	(\$29,046,959)	(\$28,141,214)	3.2%

BUSINESS-TYPE ACTIVITIES - ENTERPRISES

ASSETS	FY11	FY10	% CHANGE
CAPITAL	\$14,636,689	\$12,351,287	18.5%
OTHER	\$5,417,646	\$3,404,155	59.1%
DEPRECIATION	(\$3,594,304)	(\$3,300,052)	8.9%
TOTAL	\$16,460,031	\$12,455,390	32.2%

LIABILITIES	FY11	FY10	% CHANGE
LONG-TERM	\$2,000,000	\$0	∞
OTHER	\$190,352	\$90,915	109.4%
TOTAL	\$2,190,352	\$90,915	2309.2%

NET ASSETS	FY11	FY10	% CHANGE
NET OF DEBT	\$9,042,385	\$9,051,235	-0.1%
RESTRICTED	\$241,424	\$0	∞
UNRESTRICTED	\$4,985,870	\$3,313,240	50.5%
TOTAL	\$14,269,679	\$12,364,475	15.4%

The table above depicts a comparison of the financial condition of the District to the prior year. The governmental activities **Capital** assets show an 0.3% increase from the previous year due to park improvements and the purchase of equipment. **Other** governmental assets increased by about 12.0% due mostly to an increase in cash and cash equivalents. **Depreciation** increased by 3.8%, as it would be expected over time and as assets are added to inventory. On the liabilities side of government activities, the **Long-term** debt continues to increase (3.2%) due mostly to the accrued and unpaid interest for the Series B bonds of the District. **Other** liabilities increased by 0.5% from the previous year due mostly to a slight increase in unearned revenue.

COMPARISON OF CURRENT TO PRIOR YEAR

GOVERNMENTAL ACTIVITIES

ASSETS	FY11	FY10	% CHANGE
CAPITAL	\$3,441,866	\$3,429,975	0.3%
OTHER	\$1,212,202	\$1,082,600	12.0%
DEPRECIATION	(\$2,184,433)	(\$2,105,361)	3.8%
TOTAL	\$2,469,635	\$2,407,214	2.6%

Management Discussion and Analysis For the Colorado Centre Metropolitan District – F.Y. 2011

On the business-type activities side of the District, i.e. water and wastewater services, the **Capital** assets have increased 18.5% mostly because of 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 project is now scheduled to be completed by the end of year 2012 and represents the single largest financing challenge for the District, estimated at over \$7 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 included the Cuchares Ranch into its service territory and will now serve the area. The connection fees that will be paid by Cuchares will be used to help fund the design and construction of the new wastewater treatment plant and interceptor, as well as a new water treatment plant. Additional Capital assets include the purchase of replacement wireless water meters for all customers of the District and the installation of a new sewer interceptor line to tie-in eventually to the Lower Fountain interceptor. The District also increased its assets for the water and wastewater funds after the Cuchares Phase I systems were conveyed to the District for ownership and maintenance. **Other** assets reflect an increase of 59.1% due mostly to an increase in cash and cash equivalents from the payment of system improvement fees by the Cuchares Development to the District and the issuance of a \$2 million revenue loan by the Colorado Water Resources and Power Development Authority to the Wastewater Enterprise to complete the funding for the regional wastewater plant.

The **long term** liabilities have increased by 100% due to the addition of the \$2 million loan to fund the LFMSDD project.. There’s an increase of 109.4% in **other liabilities** due mostly to an increase in accounts payable related to the construction of the sewer interceptor line to Lower Fountain

Overview of the Statement of Activities

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” \$1,233,091 is an expense which continually accrues because of the District’s inability to make a full payment on the series B 1992 bonds. This is the largest single amount of expense/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 (\$55,905), Public Works (\$25,316), Public Safety (\$324,218), Refuse Disposal (\$93,430), Culture and Recreation (Parks) (\$60,210), and Street Lighting

(\$17,554), amount to \$576,633 for the 2011 expense year. On the program revenue side, income of \$24,264 from street lights, \$107,555 from refuse disposal, \$283,377 from First Responder fees, \$5,995 from lottery funds, \$6,400 from landscaping fees, \$1,800 from a Public Safety Grant and \$863 from a donation of sod for the Mosko Park, for a total revenue stream of \$430,254. The expenses not covered by specific fees, were paid from general, developer owned and specific ownership taxes of \$456,784, earnings on investment of \$4,804 (government activities only), miscellaneous income \$3,347, mostly from review and other fees, and a transfer from the water enterprise to the reserve fund of \$8,790.

The business-type activities (Enterprises) generated enough revenue to pay for 100% of their operations. As presented, the business activities of the District had income of \$1,072,208 from service charges and \$1,740,200 from system capital improvement fees paid by the Cuchares Ranch development filing III to partially satisfy the requirements of the inclusion agreement and secure services from the District and \$80,128 for the purchase of supplemental taps for platted Cuchares lots to overcome the 0.25 ac-ft of water limitation, which total \$1,820,328. The operations expenses were \$964,220 for the year. This yields a revenue of \$2,892,536, which when combined with the interest earnings and other miscellaneous income totaling \$59,108 and a deduction of \$8,790 due to the transfer of funds from the Water Enterprise to the Reserve Fund, yields a change in net assets of \$1,905,204 after a previous period depreciation adjustment of \$73,430 is made. This shows a 29.4% reduction from the previous year (see the table that follows). The Government activities show an increase in the change of net assets from the previous year of 32.2%.

The net effect of the activities of the District is that there’s an annual deficit in the governmental activities that does not improve because the Series B bonds continue to accumulate unpaid interest, while the principal remains unpaid also. On the other side, the net assets of the business activities of the District continue to increase.

CHANGE IN NET ASSETS

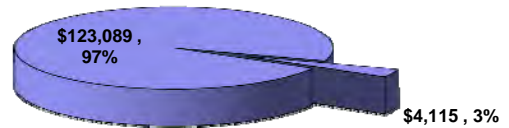
	FY11	FY10	% CHANGE
GOVERNMENT	(\$905,745)	(\$684,969)	32.2%
BUSINESS	\$1,905,204	\$2,698,980	-29.4%
TOTAL	\$999,459	\$2,014,011	-50.4%

Fund Financial Statements

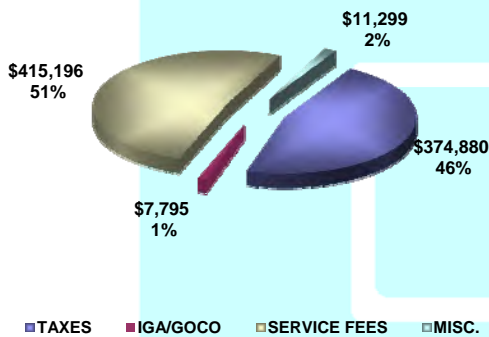
General Fund: The two graphs that follow summarize the general performance of the General Fund. Revenue sources have been grouped as Taxes (general and specific ownership taxes), IGA/GOCO (for lottery and grant funds), Service Fees (street lights and trash service), and Misc. (investments, interest, 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 performed as budgeted.

below the Reserve Fund balance of \$775,000 allowed by the bankruptcy plan of the District for FY 2011. The District did not spend any Reserve Funds in FY 2011.

RESERVE FUND REVENUES
TOTAL REVENUES: \$127,204



GENERAL FUND REVENUES
TOTAL REVENUES: \$809,170

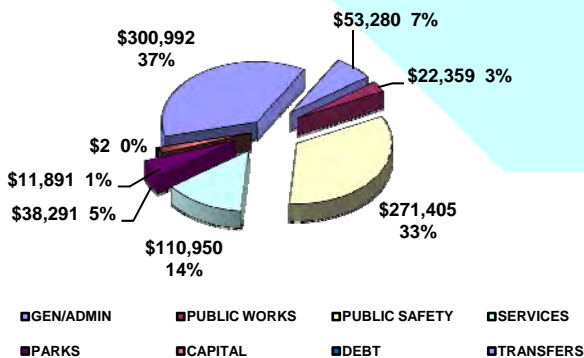


Debt Service Fund (Page 5): The Debt Service Fund had income of \$268,597 of which \$81,904 were from Restricted Developer Owned Taxes (100 mills) and \$186,693 were transferred in from the General Fund. These revenues were used to pay \$1,275 to the County for collecting the taxes, \$2,372 to the bankruptcy plan administrator, and \$264,950 to the Series A bondholders.

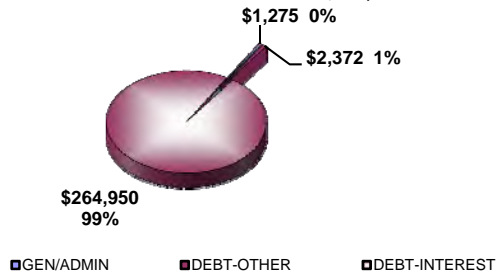
DEBT SERVICE FUND REVENUES
TOTAL REVENUES: \$268,597



GENERAL FUND EXPENSES
TOTAL EXPENSES: \$809,170



DEBT SERVICE FUND EXPENSES
TOTAL EXPENSES: \$268,597



Reserve Fund: The District's reserves increased by \$127,204 during F. Y. 2011 to \$767,190, which is still

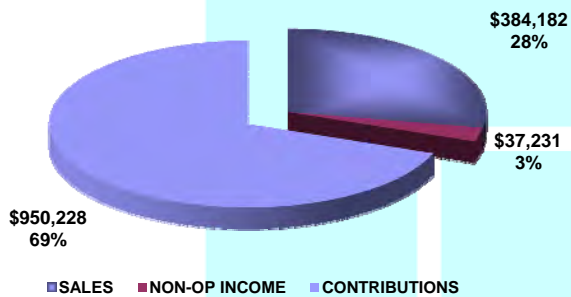
Water Enterprise – General and Capital: The following two charts summarize the activities of the

Management Discussion and Analysis For the Colorado Centre Metropolitan District – F.Y. 2011

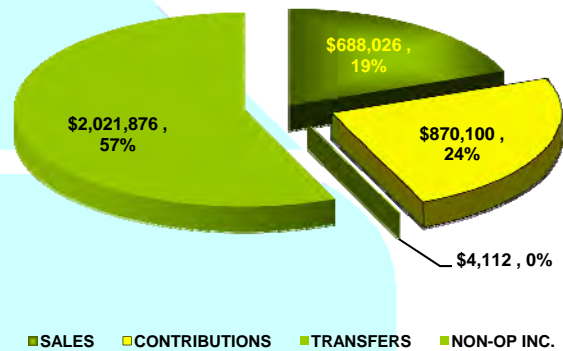
Water Enterprise during fiscal year 2011. Depreciation and Capital expenses are included. The net assets of the Water Enterprise increased by \$908,356 to \$7,366,679, mainly, because of capital contributions by the Cuchares development. The Water Enterprise operated under budget for the year. It started the year with a total fund balance of \$1,785,931 and had revenue of \$1,371,641. It ended up the year, after all expenses and transfers, with a fund balance of \$2,702,039, not including depreciation, which will carry forward to 2012.

the activities of this Enterprise during fiscal year 2011. Depreciation and capital expenses are included. The net assets of the Wastewater Enterprise increased by \$1,070,278, to \$6,903,000, mainly, because of capital contributions by the Cuchares development. This Enterprise operated under budget for the year. It started the year with a balance of \$1,527,309 and had revenue of \$3,584,114 which includes a \$2 million loan to help fund the regional wastewater plant. It ended up the year, after all expenses and transfers, with a fund balance of \$2,489,006, not including depreciation, which will carry forward to 2012.

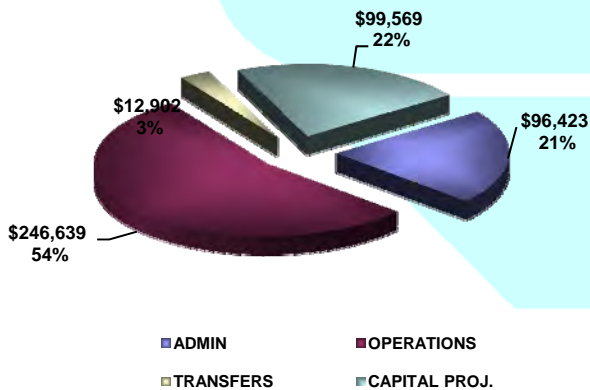
WATER ENTERPRISE REVENUE
TOTAL REVENUES: \$1,371,641



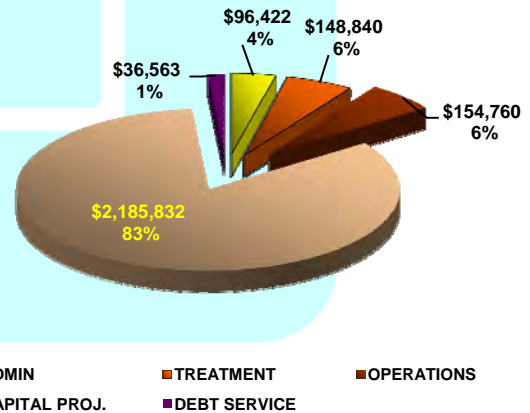
WASTEWATER ENTERPRISE REVENUES
TOTAL REVENUES: \$3,584,114



WATER ENTERPRISE EXPENSES
TOTAL EXPENSES: \$455,533



WASTEWATER ENTERPRISE EXPENSES
TOTAL EXPENSES: \$2,622,417



Wastewater Enterprise – General and Capital: The breakdown presented in the charts below summarizes

Agency Fund: This fund contains monies invested by the District to fund the principal of the series A 1992 bonds due in 2027. The current market value of the securities is \$2,115,345 which is \$490,272 higher than reported in 2010. These funds are guaranteed to mature to yield approximately \$2,943,892 at or near the year 2027, when they are required to be paid out to the bondholders.

Closing Remarks

All the funds of the District performed within the anticipated limits established and approved by the Board of Directors.

The District has received a \$2 million loan at 2% APR for 20 years to finance the regional Lower Fountain Metropolitan Sewage Disposal District's sewer treatment plant. The interceptor has been completed and paid for in full already and the plant is approximately 75% complete.

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

End

BASIC FINANCIAL STATEMENTS

COLORADO CENTRE METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 741,447	\$ 5,001,811	\$ 5,743,258
Accounts receivable, net	48,586	77,893	126,479
Property taxes receivable	419,756	-	419,756
Prepaid expenses	2,363	48,704	51,067
Deposits	50	11,565	11,615
Deferred charges	-	36,249	36,249
Restricted cash and cash equivalents	-	241,424	241,424
Capital assets	3,441,866	14,636,689	18,078,555
Accumulated depreciation	(2,184,433)	(3,594,304)	(5,778,737)
TOTAL ASSETS	<u><u>\$ 2,469,635</u></u>	<u><u>\$ 16,460,031</u></u>	<u><u>\$ 18,929,666</u></u>
LIABILITIES			
Accounts payable	\$ 6,780	\$ 103,970	\$ 110,750
Compensated absences	3,290	13,290	16,580
Unearned revenue	416,781	-	416,781
Deposits and escrow	18,161	73,092	91,253
Long term liabilities			
Due within one year	-	68,882	68,882
Due in more than one year	31,071,582	1,931,118	33,002,700
Total Liabilities	<u>31,516,594</u>	<u>2,190,352</u>	<u>33,706,946</u>
NET ASSETS			
Investment in capital assets, net of related debt	(11,164,063)	9,042,385	(2,121,678)
Restricted	-	241,424	241,424
Unrestricted	(17,882,896)	4,985,870	(12,897,026)
Total Net Assets (Deficit)	<u>(29,046,959)</u>	<u>14,269,679</u>	<u>(14,777,280)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,469,635</u></u>	<u><u>\$ 16,460,031</u></u>	<u><u>\$ 18,929,666</u></u>

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

**COLORADO CENTRE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Reserve Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 100	\$ (25,843)	\$ 767,190	\$ 741,447
Accounts receivable, net	48,586	-	-	48,586
Property taxes receivable	340,354	79,402	-	419,756
Due from other funds	-	27,029	-	27,029
Prepaid expenses	2,363	-	-	2,363
Deposits	50	-	-	50
TOTAL ASSETS	<u>\$ 391,453</u>	<u>\$ 80,588</u>	<u>\$ 767,190</u>	<u>\$ 1,239,231</u>
LIABILITIES				
Accounts payable	\$ 5,594	\$ 1,186	\$ -	\$ 6,780
Compensated absences	3,290	-	-	3,290
Due to other funds	27,029	-	-	27,029
Deferred revenue	337,379	79,402	-	416,781
Deposits and escrow	18,161	-	-	18,161
Total Liabilities	<u>391,453</u>	<u>80,588</u>	<u>-</u>	<u>472,041</u>
FUND BALANCE				
Assigned	<u>-</u>	<u>-</u>	<u>767,190</u>	<u>767,190</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>767,190</u>	<u>767,190</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 391,453</u>	<u>\$ 80,588</u>	<u>\$ 767,190</u>	<u>\$ 1,239,231</u>

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

**COLORADO CENTRE METROPOLITAN DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Total fund balance, governmental funds	\$ 767,190
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.	1,257,433
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.	<u>(31,071,582)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u><u>\$ (29,046,959)</u></u>

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, 2011

	General Fund	Debt Service Fund	Reserve Fund	Total Governmental Funds
REVENUE				
Property taxes	\$ 338,110	\$ 81,904	\$ -	\$ 420,014
Specific ownership taxes	36,770	-	-	36,770
Intergovernmental	5,995	-	-	5,995
Lighting usage	24,264	-	-	24,264
Refuse disposal fees	107,555	-	-	107,555
First responder fees	283,377	-	-	283,377
Grants	1,800	-	-	1,800
Investment earnings	689	-	4,115	4,804
Miscellaneous	9,747	-	-	9,747
Capital contributions	863	-	-	863
Total Revenue	<u>809,170</u>	<u>81,904</u>	<u>4,115</u>	<u>895,189</u>
EXPENDITURES				
General and administrative	53,280	1,275	-	54,555
Public safety	271,405	-	-	271,405
Public works	22,359	-	-	22,359
Street lights	17,520	-	-	17,520
Refuse disposal	93,430	-	-	93,430
Culture and recreation	38,291	-	-	38,291
Capital outlay	11,891	-	-	11,891
Debt service - other	-	2,372	-	2,372
Debt service - interest	2	264,950	-	264,952
Total Expenditures	<u>508,178</u>	<u>268,597</u>	<u>-</u>	<u>776,775</u>
Excess (deficit) of revenues over expenditures	300,992	(186,693)	4,115	118,414
OTHER FINANCING SOURCES (USES)				
Transfers in	-	186,693	123,089	309,782
Transfers out	<u>(300,992)</u>	<u>-</u>	<u>-</u>	<u>(300,992)</u>
Net change in fund balances	-	-	127,204	127,204
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>639,986</u>	<u>639,986</u>
FUND BALANCE, ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 767,190</u></u>	<u><u>\$ 767,190</u></u>

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

**COLORADO CENTRE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - total governmental funds:	\$ 127,204
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.	(67,181)
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.	<u>(965,768)</u>
Change in net assets of governmental activities	<u><u>\$ (905,745)</u></u>

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

COLORADO CENTRE METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Water Fund	Wastewater Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,695,552	\$ 2,306,259	\$ 5,001,811
Accounts receivable, net	8,255	69,638	77,893
Prepaid expenses	48,688	16	48,704
Total Current Assets	<u>2,752,495</u>	<u>2,375,913</u>	<u>5,128,408</u>
Non-current Assets			
Restricted cash and cash equivalents	-	241,424	241,424
Deferred charges	-	36,249	36,249
Deposits	11,465	100	11,565
Capital assets			-
Property, plant and equipment	6,336,787	8,299,902	14,636,689
Less: accumulated depreciation	<u>(1,672,147)</u>	<u>(1,922,157)</u>	<u>(3,594,304)</u>
Total Non-current Assets	<u>4,676,105</u>	<u>6,655,518</u>	<u>11,331,623</u>
TOTAL ASSETS	<u><u>\$ 7,428,600</u></u>	<u><u>\$ 9,031,431</u></u>	<u><u>\$ 16,460,031</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 18,288	\$ 85,682	\$ 103,970
Compensated absences	6,645	6,645	13,290
Customer deposits	36,988	36,104	73,092
Notes payable	-	68,882	68,882
Total Current Liabilities	<u>61,921</u>	<u>197,313</u>	<u>259,234</u>
Long-term Liabilities			
Notes payable	-	1,931,118	1,931,118
Total Liabilities	<u>61,921</u>	<u>2,128,431</u>	<u>2,190,352</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,664,640	4,377,745	9,042,385
Restricted	-	241,424	241,424
Unrestricted	<u>2,702,039</u>	<u>2,283,831</u>	<u>4,985,870</u>
Total Net Assets	<u>7,366,679</u>	<u>6,903,000</u>	<u>14,269,679</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,428,600</u></u>	<u><u>\$ 9,031,431</u></u>	<u><u>\$ 16,460,031</u></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, 2011

	Water Fund	Wastewater Fund	Total
OPERATING REVENUE			
Water sales and service charges	\$ 384,182	\$ -	\$ 384,182
Sewer sales and service charges	-	688,026	688,026
Total Operating Revenue	<u>384,182</u>	<u>688,026</u>	<u>1,072,208</u>
OPERATING EXPENSES			
Water expenses	246,639	-	246,639
Sewer expenses			
Treatment	-	148,840	148,840
Collection and transmission	-	154,760	154,760
General and administrative expenses	96,423	96,422	192,845
Debt service - interest	-	314	314
Depreciation	107,321	113,500	220,821
Total Operating Expenses	<u>450,383</u>	<u>513,836</u>	<u>964,219</u>
Operating Income (Loss)	<u>(66,201)</u>	<u>174,190</u>	<u>107,989</u>
NON-OPERATING REVENUE			
Interest income	4,743	16,651	21,394
Other income	32,488	5,225	37,713
Total Non-Operating Revenue	<u>37,231</u>	<u>21,876</u>	<u>59,107</u>
Income before transfers and contributions	(28,970)	196,066	167,096
Transfer in	-	4,112	4,112
Transfer out	(12,902)	-	(12,902)
Capital contributions	950,228	870,100	1,820,328
Change in net assets	<u>908,356</u>	<u>1,070,278</u>	<u>1,978,634</u>
Net assets, beginning	6,531,753	5,832,722	12,364,475
Prior period adjustment	(73,430)	-	(73,430)
Net assets, beginning-as restated	<u>6,458,323</u>	<u>5,832,722</u>	<u>12,291,045</u>
NET ASSETS, ENDING	<u>\$ 7,366,679</u>	<u>\$ 6,903,000</u>	<u>\$ 14,269,679</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, 2011

	Water Fund	Wastewater Fund	Combined Totals (Memorandum Only)
Cash flows from operating activities:			
Cash received from customers	\$ 413,350	\$ 712,201	\$ 1,125,551
Cash payments to suppliers for goods and services	(238,486)	(226,634)	(465,120)
Cash payments to employees	(90,918)	(90,918)	(181,836)
Cash flows from other income	32,488	5,225	37,713
Net Cash Provided (Used) by Operating Activities	<u>116,434</u>	<u>399,874</u>	<u>516,308</u>
Cash flows from non-capital financing activities:			
Payments from (to) other funds	(16,924)	8,135	(8,789)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(16,924)</u>	<u>8,135</u>	<u>(8,789)</u>
Cash flows from capital and related financing activities:			
Capital contributions	950,228	870,100	1,820,328
Capital expenditures	(99,570)	(2,185,832)	(2,285,402)
Loan proceeds	-	2,000,000	2,000,000
Loan issuance costs	-	(36,249)	(36,249)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>850,658</u>	<u>648,019</u>	<u>1,498,677</u>
Cash flows from investing activities:			
Investment income	4,743	16,651	21,394
Net Cash Provided (Used) by Investing Activities	<u>4,743</u>	<u>16,651</u>	<u>21,394</u>
Net increase (decrease) in cash	954,911	1,072,679	2,027,590
Cash, beginning of year	<u>1,740,641</u>	<u>1,475,004</u>	<u>3,215,645</u>
CASH, END OF YEAR	<u><u>\$ 2,695,552</u></u>	<u><u>\$ 2,547,683</u></u>	<u><u>\$ 5,243,235</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, 2011**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Combined Totals (Memorandum Only)</u>
Reconciliation of cash and cash equivalents to the statement of net assets:			
Cash and cash equivalents	\$ 2,695,552	\$ 2,306,259	\$ 5,001,811
Restricted cash and cash equivalents	<u>-</u>	<u>241,424</u>	<u>241,424</u>
Total cash and cash equivalents	<u>\$ 2,695,552</u>	<u>\$ 2,547,683</u>	<u>\$ 5,243,235</u>
Reconciliation of operating income to cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (66,201)</u>	<u>\$ 174,190</u>	<u>\$ 107,989</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	107,321	113,500	220,821
Other income	32,488	5,225	37,713
Changes in assets			
(Increase) decrease in:			
Accounts receivable	25,751	20,755	46,506
Prepaid expenses	3,840	-	3,840
Changes in liabilities			
Increase (decrease) in:			
Accounts payable	9,475	82,444	91,919
Customer deposits	3,420	3,420	6,840
Compensated absences	<u>340</u>	<u>340</u>	<u>680</u>
Total Adjustments	<u>182,635</u>	<u>225,684</u>	<u>408,319</u>
Net Cash Provided by Operating Activities	<u>\$ 116,434</u>	<u>\$ 399,874</u>	<u>\$ 516,308</u>

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

**COLORADO CENTRE METROPOLITAN DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
DECEMBER 31, 2011**

ASSETS

Restricted investments \$ 2,115,345

TOTAL ASSETS \$ 2,115,345

LIABILITIES

Due to bondholders \$ 2,115,345

TOTAL LIABILITIES 2,115,345

TOTAL NET ASSETS -

TOTAL LIABILITIES AND NET ASSETS \$ 2,115,345

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, 2011

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). 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, 2011

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, 2011**

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.

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, 2011

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, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

CAPITAL ASSETS (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 BALANCE CLASSIFICATION

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

FUND BALANCE CLASSIFICATION (CONTINUED)

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted or committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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.

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.

COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 difference are as follows:

Capital assets	\$ 3,441,866
Accumulated depreciation	<u>(2,184,433)</u>
Net adjustment to <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ 1,257,433</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 difference are as follows:

Capital outlays	\$ 11,891
Depreciation	<u>(79,072)</u>
Net adjustment to <i>net change in fund balances—total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ (67,181)</u>

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 difference are as follows:

Interest expense	\$ (1,230,718)
Interest paid	<u>264,950</u>
Net adjustment to <i>net change in fund balances—total governmental fund</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ (965,768)</u>

**COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011

NOTE 4 - CASH AND INVESTMENTS

The District's deposits and investments consist of the following at December 31, 2011:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Restricted <u>Investments</u>	<u>Total</u>
Deposits	\$ 79,965	\$ 95,400	\$ -	\$ 175,365
Money Market Funds	5,663,293	146,024	-	5,809,317
ColoTrust	-	-	499	499
U.S. Agencies	-	-	2,114,846	2,114,846
Investments	<u>5,663,293</u>	<u>146,024</u>	<u>2,115,345</u>	<u>7,924,662</u>
Total	<u>\$ 5,743,258</u>	<u>\$ 241,424</u>	<u>\$ 2,115,345</u>	<u>\$ 8,100,027</u>

Reconciliation of cash and cash equivalents and investments to the government-wide financial statements at December 31, 2011:

	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	\$ 741,447	\$ -	\$ -	\$ 741,447
Business-type activities	5,001,811	241,424	-	5,243,235
Fiduciary activities	-	-	2,115,345	2,115,345
Total	<u>\$ 5,743,258</u>	<u>\$ 241,424</u>	<u>\$ 2,115,345</u>	<u>\$ 8,100,027</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, 2011, the carrying amount of the District's deposits was \$175,365 and the bank balances were \$348,498. All of the bank balances were covered by federal depository insurance.

**COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011 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>11 to 15 Years</u>
Money Market Funds	\$ 5,809,317	\$ 5,809,317	\$ -
ColoTrust	499	499	-
U.S. Agencies	<u>2,114,846</u>	<u>-</u>	<u>2,114,846</u>
Total	<u>\$ 7,924,662</u>	<u>\$ 5,809,816</u>	<u>\$ 2,114,846</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 (See Note 11) 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, 2011 all of the District’s investments were rated Aaa by Moody’s. Standard and Poor’s rated U.S. Agencies held by the District AA+, and all other investments AAA.

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, 2011**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2011 consisted of the following:

	<u>General</u>	<u>Reserve</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Account receivable – user fees	\$ 40,322	\$ -	\$ 8,021	\$ 69,324	\$ 117,667
Accounts receivable – other	<u>8,264</u>	<u>-</u>	<u>234</u>	<u>314</u>	<u>8,812</u>
Totals	<u>\$ 48,586</u>	<u>\$ -</u>	<u>\$ 8,255</u>	<u>\$ 69,638</u>	<u>\$ 126,479</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds

All interfund receivables and payables are created in conjunction with the District’s pooled cash accounts. Balances are routinely cleared as a matter of practice. The composition of interfund balances at December 31, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 27,029

Interfund transfers

The following transfers were made in 2011 to fund debt service and reserve requirements in the Debt Service Fund and Reserve Fund, respectively. A transfer was also made from the Water Fund to the Wastewater Fund according to the District’s budget.

<u>Transfer in</u>	<u>Transfer out</u>	
Debt Service Fund	General Fund	\$ 186,693
Reserve Fund	General Fund	\$ 114,299
Reserve Fund	Water Fund	\$ 8,790
Wastewater Fund	Water Fund	\$ 4,112

**COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011 was 25.000 mills. The District's assessed valuation for collection year 2011 was \$13,513,490. 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 2011 was \$818,410. 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, 2011 was as follows:

	<u>Balance</u> <u>12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/11</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 234,949	\$ 1,543	\$ -	\$ 236,492
Capital assets, being depreciated:				
Signage	93,274	2,255	-	95,529
Drainage	1,309,959	-	-	1,309,959
Vehicles	530,129	-	-	530,129
Furniture, fixtures and equipment	82,169	2,937	-	85,106
Fire station	876,803	-	-	876,803
Parks	302,007	5,156	-	307,163
Street lights	<u>685</u>	<u>-</u>	<u>-</u>	<u>685</u>
Total capital assets being depreciated	3,195,026	10,348	-	3,205,374
Less accumulated depreciation	<u>(2,105,361)</u>	<u>(79,072)</u>	<u>-</u>	<u>(2,184,433)</u>
Total capital assets depreciated, net	<u>1,089,665</u>	<u>(68,724)</u>	<u>-</u>	<u>1,020,941</u>
Total capital assets, net	<u>\$ 1,324,614</u>	<u>\$ (67,181)</u>	<u>\$ -</u>	<u>\$ 1,257,433</u>

**COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	<u>Balance 12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/11</u>
Business-type activities:				
Capital assets, not being depreciated:				
Water augmentation plan	\$ 1,240,077	\$ -	\$ -	\$ 1,240,077
Water shares	1,601,548	-	-	1,601,548
Lower Fountain Metropolitan Sewage Regional Plant & Interceptor	<u>1,700,801</u>	<u>1,967,215</u>	<u>-</u>	<u>3,668,016</u>
Total capital assets, not being depreciated	<u>4,542,426</u>	<u>1,967,215</u>	<u>-</u>	<u>6,509,641</u>
Capital assets, being depreciated:				
Water tank	301,848	-	-	301,848
Water wells	287,137	-	-	287,137
Water distribution system	2,696,724	99,570	-	2,796,294
Wastewater collection system	4,348,181	218,617	-	4,566,798
Equipment	<u>174,971</u>	<u>-</u>	<u>-</u>	<u>174,971</u>
Total capital assets being depreciated	7,808,861	318,187	-	8,127,048
Less accumulated depreciation	<u>(3,373,482)</u>	<u>(220,822)</u>	<u>-</u>	<u>(3,594,304)</u>
Total capital assets, being depreciated, net	<u>4,435,379</u>	<u>97,365</u>	<u>-</u>	<u>4,532,744</u>
Total capital assets, net	<u>\$ 8,977,805</u>	<u>\$ 2,064,580</u>	<u>\$ -</u>	<u>\$ 11,042,385</u>

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

Governmental activities:	
General government	\$ 1,348
Public safety	52,814
Public works	2,957
Street lighting	34
Culture and recreation	<u>21,919</u>
Total depreciation expense—governmental activities	<u>\$ 79,072</u>
Business-type activities:	
Water	\$ 107,321
Wastewater	<u>113,501</u>
Total depreciation expense—business-type activities	<u>\$ 220,822</u>

COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 2011 were \$10,522. The employees contributed \$28,569 to the plan in 2011.

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 years ending December 31, 2011, 2010, and 2009 were \$1,056, \$1,234, and \$523, respectively, equal to their required contributions for the year.

**COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011

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 not yet built 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, 2011

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>				
2012	\$ 0	\$ 0	\$ 0	\$ 264,950
2013	0	0	0	264,950
2014	0	0	0	264,950
2015	0	0	0	264,950
2016	0	0	0	264,950
2017-2021	0	0	0	1,324,750
2022-2026	0	0	0	1,324,750
2027	<u>2,943,892</u>	<u>0</u>	<u>2,943,892</u>	<u>132,475</u>
Totals	<u>\$ 2,943,892</u>	<u>\$ 0</u>	<u>\$ 2,943,892</u>	<u>\$ 4,106,725</u>

	<u>Principal</u>	<u>Unpaid Interest</u>	<u>Total</u>	<u>Interest</u>
<i>Series B:</i>				
2012	\$ 0	\$ 0	\$ 0	\$ 965,768
2013	0	0	0	965,768
2014	0	0	0	965,768
2015	0	0	0	965,768
2016	0	0	0	965,768
2017-2021	0	0	0	4,828,840
2022-2026	0	0	0	4,828,840
2027-2031	0	0	0	4,828,840
2032	<u>9,477,604</u>	<u>18,650,086</u>	<u>28,127,690</u>	<u>482,884</u>
Totals	<u>\$ 9,477,604</u>	<u>\$ 18,650,086</u>	<u>\$ 28,127,690</u>	<u>\$ 19,798,244</u>

	<u>Principal</u>	<u>Unpaid Interest</u>	<u>Total</u>	<u>Interest</u>
<i>TOTAL SERIES A AND B:</i>				
2012	\$ 0	\$ 0	\$ 0	\$ 1,230,718
2013	0	0	0	1,230,718
2014	0	0	0	1,230,718
2015	0	0	0	1,230,718
2016	0	0	0	1,230,718
2017-2021	0	0	0	6,153,590
2022-2026	0	0	0	6,153,590
2027-2031	2,943,892	0	2,943,892	4,961,315
2032	<u>9,477,604</u>	<u>18,650,086</u>	<u>28,127,690</u>	<u>482,884</u>
Totals	<u>\$ 12,421,496</u>	<u>\$ 18,650,086</u>	<u>\$ 31,071,582</u>	<u>\$ 23,904,969</u>

**COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2010	\$ 2,943,892	\$ 0	\$ 2,943,892
Add Interest due July 1, 2011 and January 1, 2011	0	264,950	264,950
Less Paid to bondholders in 2011	<u>0</u>	<u>(264,950)</u>	<u>(264,950)</u>
Balance, December 31, 2011	<u>\$ 2,943,892</u>	<u>\$ 0</u>	<u>\$ 2,943,892</u>
<i>Series B:</i>			
Balance, December 31, 2010	\$ 9,477,604	\$ 17,684,318	\$ 27,161,922
Add Interest due 2011	0	965,768	965,768
Less Payment in 2011	<u>0</u>	<u>0</u>	<u>0</u>
Balance, December 31, 2011	<u>\$ 9,477,604</u>	<u>\$ 18,650,086</u>	<u>\$ 28,127,690</u>
<i>Total (Series A and B):</i>			
Balance, December 31, 2010	\$ 12,421,496	\$ 17,684,318	\$ 30,105,814
Add Interest due July 1, 2011 and January 1, 2011	0	1,230,718	1,230,718
Less Payments in 2011	<u>0</u>	<u>(264,950)</u>	<u>(264,950)</u>
Balance, December 31, 2011	<u>\$ 12,421,496</u>	<u>\$ 18,650,086</u>	<u>\$ 31,071,582</u>

LOANS PAYABLE

On October 31, 2011, the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) in the amount of \$2,000,000. The loan is payable semiannually with payments of \$61,335 beginning November 1, 2012 and an initial payment of \$40,607 due May 1, 2012, including interest at 2%. This loan is to be repaid from and secured by a pledge of the net revenues of the Wastewater Fund.

The annual requirements to amortize the CWRPDA loan is as follows:

Year	Principal	Interest
2012	\$ 68,882	\$ 33,061
2013	84,468	38,202
2014	86,166	36,504
2015	87,898	34,772
2016	89,664	33,006
2017 - 2021	476,093	137,259
2022 - 2026	525,903	87,449
2027 - 2031	<u>580,926</u>	<u>32,427</u>
Total	<u>\$ 2,000,000</u>	<u>\$ 432,680</u>

**COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 11 - LONG-TERM LIABILITIES (CONTINUED)

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2011:

	<u>Balance 12/31/10</u>	<u>Debt Issued And Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Due Within One year</u>
<i>Governmental activities:</i>					
Long-term debt:					
Limited tax and special revenue bonds	\$ 12,421,496	\$ -	\$ -	\$ 12,421,496	\$ -
Unpaid interest	<u>17,684,318</u>	<u>1,230,718</u>	<u>(264,950)</u>	<u>18,650,086</u>	<u>-</u>
Total governmental activity					
Long-term liabilities	<u>\$ 30,105,814</u>	<u>\$ 1,230,718</u>	<u>\$ (264,950)</u>	<u>\$ 31,071,582</u>	<u>\$ -</u>
<i>Business-type activities:</i>					
Loans	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 68,882</u>
Total business-type activity					
Long-term liabilities	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 68,882</u>

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, 2011, the District had a deficit invested in capital assets, net of related debt as follows:

Invested in Capital Assets, Net of Related Debt:

Capital assets, net of depreciation	\$ 12,299,818
Long-term liabilities:	
Due within one year	(68,882)
Due in more than one year	<u>(14,352,614)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ (2,121,678)</u>

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, 2011, the District had restricted net assets of \$241,424 for the Operating and Maintenance Reserve required by the CWRPDA loan.

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, 2011, the District had a deficit unrestricted net assets of (\$12,897,026).

COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 13- COMMITMENTS AND CONTINGENCIES

Water Tank Lease - The District leases certain land on which a water tank is located. Rental expense totaled \$8,500 during the year ended December 31, 2011. A 25 year extension of the lease was agreed to on September 20, 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 2009 to determine the current rental rate.

Water Distribution and Wastewater Collection, Treatment and Disposal Agreement - On August 11, 2009, the District entered into an intergovernmental agreement with the City of Colorado Springs (City) to provide water and wastewater service to the LJCC Basin, a defined area within the City's service area. Under the agreement, the District will charge a one-time Interim Connection System Improvement Fee of 40% of the then current value of CCMD's standard System Improvement Fee for each water and wastewater connection. The District will also charge a one-time CCMD Interim Capacity Fee of \$2,000 per wastewater connection. The agreement will continue at the convenience of the City unless the service exceeds a defined limit, at which point the agreement will terminate based on the earlier occurrence of five years from the effective date of the agreement or one year after the total wastewater flow exceeds a defined limit.

Sewage Disposal Agreement - On February 11, 2009, 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 wastewater 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 contributions by each of the parties to the agreement. The District will own 25% of the total capacity within the water treatment plant and will contribute such percentage to its construction. Of the total estimated costs of \$24,587,855 of the project, \$10,803,597 had been paid as of March 15, 2012. Of the District's total estimated costs of \$6,146,964 of the project, \$2,700,899 had been paid as of March 15, 2012.

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.

COLORADO CENTRE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 15 - AMENDMENT TO COLORADO CONSTITUTION

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 District's 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.

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 – PRIOR PERIOD ADJUSTMENT

During the year the District discovered that depreciation on certain depreciable assets in the Water Fund had not been recorded in prior years. A prior period adjustment was recorded to reduce beginning fund balance by \$73,430 and recognize accumulated depreciation attributable to prior years.

NOTE 18 – SUBSEQUENT EVENT

On May 7, 2012, the Water Fund purchased from bondholders a portion of the outstanding Series A Bonds (described in Note 11) with a face value of \$1,053,239 for a purchase price of \$52,662.

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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property taxes	\$ 337,837	\$ 338,857	\$ 338,110	\$ (747)
Specific ownership taxes	37,200	37,200	36,770	(430)
Intergovernmental	6,000	6,000	5,995	(5)
Lighting usage	24,000	24,000	24,264	264
Refuse disposal fees	99,600	108,000	107,555	(445)
First responder fees	269,820	284,000	283,377	(623)
Grants	-	1,800	1,800	-
Interest	-	700	689	(11)
Miscellaneous	5,100	10,000	9,747	(253)
Capital contributions	-	-	863	863
TOTAL REVENUE	<u>779,557</u>	<u>810,557</u>	<u>809,170</u>	<u>(1,387)</u>
EXPENDITURES				
General and administrative	59,163	59,163	53,280	5,883
Public safety	310,056	310,056	271,405	38,651
Public works	21,420	21,420	22,359	(939)
Street lights	18,360	18,360	17,520	840
Refuse disposal	96,000	96,000	93,430	2,570
Culture and recreation	34,800	34,800	38,291	(3,491)
Capital outlay	10,000	10,000	11,891	(1,891)
Transfers out	229,758	260,758	300,992	(40,234)
Debt service - interest	-	-	2	(2)
TOTAL EXPENDITURES	<u>779,557</u>	<u>810,557</u>	<u>809,170</u>	<u>1,387</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning	-	-	-	-
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

**COLORADO CENTRE METROPOLITAN DISTRICT
RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Interest	\$ 4,800	\$ 4,800	\$ 4,115	\$ (685)
Transfers in	43,018	43,018	123,089	80,071
TOTAL REVENUE	<u>47,818</u>	<u>47,818</u>	<u>127,204</u>	<u>79,386</u>
EXPENDITURES				
Miscellaneous	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
TOTAL EXPENDITURES	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Net change in fund balances	(252,182)	(252,182)	127,204	379,386
Fund balance, beginning	<u>647,135</u>	<u>647,135</u>	<u>639,986</u>	<u>(7,149)</u>
FUND BALANCE, ENDING	<u><u>\$ 394,953</u></u>	<u><u>\$ 394,953</u></u>	<u><u>\$ 767,190</u></u>	<u><u>\$ 372,237</u></u>

See the accompanying independent auditors' report.

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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Developer taxes	\$ 81,841	\$ 81,841	\$ 81,904	\$ 63
Miscellaneous	1,000	1,000	-	(1,000)
Transfers in	186,740	186,740	186,693	(47)
TOTAL REVENUE	<u>269,581</u>	<u>269,581</u>	<u>268,597</u>	<u>(984)</u>
EXPENDITURES				
General and administrative	1,227	1,227	1,275	(48)
Debt service - administrative	2,400	2,400	2,372	28
Debt service - interest	264,954	264,954	264,950	4
Miscellaneous	1,000	1,000	-	1,000
TOTAL EXPENDITURES	<u>269,581</u>	<u>269,581</u>	<u>268,597</u>	<u>984</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning	-	-	-	-
FUND BALANCE, ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See the accompanying independent auditors' report.

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, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
Water sales and service charges	\$ 384,182	\$ 382,104	\$ 2,078
Water capital contributions	950,228	915,172	35,056
Interest income	4,743	2,400	2,343
Other income	32,488	12,000	20,488
Beginning fund balance	<u>1,785,931</u>	<u>1,738,274</u>	<u>47,657</u>
TOTAL REVENUES	<u>3,157,572</u>	<u>3,049,950</u>	<u>107,622</u>
EXPENSES			
General and administrative expenses	96,423	108,539	12,116
Source of supply and distribution	246,639	253,260	6,621
Capital outlay	99,569	100,000	431
Miscellaneous	-	469	469
Transfer out	<u>12,902</u>	<u>-</u>	<u>(12,902)</u>
TOTAL EXPENSES	<u>455,533</u>	<u>462,268</u>	<u>6,735</u>
EXCESS OF REVENUES OVER EXPENSES	2,702,039	<u><u>\$ 2,587,682</u></u>	<u><u>\$ 114,357</u></u>
Add:			
Capital expenditures	99,569		
Less:			
Depreciation	(107,321)		
Beginning fund balance	<u>(1,785,931)</u>		
NET CHANGE IN FUND BALANCE	<u><u>\$ 908,356</u></u>		
Ending fund balance is calculated as follows:			
Current assets	\$ 2,752,495		
Deposits	11,465		
Current liabilities	<u>(61,921)</u>		
	<u><u>\$ 2,702,039</u></u>		

See the accompanying independent auditors' report.

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, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
REVENUES			
Sewer sales and service charges	\$ 688,026	\$ 678,024	\$ 10,002
Sewer capital contributions	870,100	870,100	-
Interest income	16,651	2,400	14,251
Other income	5,225	912,000	(906,775)
Transfer in	4,112	-	4,112
Loan proceeds	2,000,000	2,000,000	-
Beginning fund balance	<u>1,527,309</u>	<u>1,592,415</u>	<u>(65,106)</u>
TOTAL REVENUES	<u>5,111,423</u>	<u>6,054,939</u>	<u>(943,516)</u>
EXPENSES			
General and administrative expenses	96,422	108,539	12,117
Treatment expenditures	148,840	168,000	19,160
Collection and transmission	154,760	126,900	(27,860)
Capital outlay	2,185,832	5,223,000	3,037,168
Debt service - interest	314	-	(314)
Debt service - principal	-	117,506	117,506
Debt service - other	36,249	-	(36,249)
Miscellaneous	-	1	1
TOTAL EXPENSES	<u>2,622,417</u>	<u>5,743,946</u>	<u>3,121,529</u>
EXCESS OF REVENUES OVER EXPENSES	2,489,006	<u>\$ 310,993</u>	<u>\$ 2,178,013</u>
Add:			
Capital expenditures	2,185,832		
Deferred charges	36,249		
Less:			
Depreciation	(113,500)		
Loan proceeds	(2,000,000)		
Beginning fund balance	<u>(1,527,309)</u>		
NET CHANGE IN FUND BALANCE	<u>\$ 1,070,278</u>		
Ending fund balance is calculated as follows:			
Current assets	\$ 2,375,913		
Restricted cash and cash equivalents	241,424		
Deposits	100		
Current liabilities	(197,313)		
Current portion of notes payable	68,882		
	<u>\$ 2,489,006</u>		

See the accompanying independent auditors' report.

COLORADO CENTRE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WATER FUND - CAPITAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

	Water Fund	Capital Water Fund	Total
OPERATING REVENUE			
Water sales and service charges	\$ 342,093	\$ 42,089	\$ 384,182
Total Operating Revenue	342,093	42,089	384,182
OPERATING EXPENSES			
Water expenses	246,639	-	246,639
General and administrative expenses	96,423	-	96,423
Depreciation	67,358	39,963	107,321
Total Operating Expenses	410,420	39,963	450,383
Operating Income (Loss)	(68,327)	2,126	(66,201)
NON-OPERATING REVENUE			
Interest income	131	4,612	4,743
Other income	13,740	18,748	32,488
Total Non-Operating Revenue	13,871	23,360	37,231
Income before transfers and contributions	(54,456)	25,486	(28,970)
Transfer out	(12,902)	-	(12,902)
Capital contributions	-	950,228	950,228
Change in net assets	(67,358)	975,714	908,356
Net assets, beginning	3,982,749	2,475,574	6,458,323
NET ASSETS, ENDING	\$ 3,915,391	\$ 3,451,288	\$ 7,366,679

See the accompanying independent auditors' report.

COLORADO CENTRE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
WASTEWATER FUND - CAPITAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

	Wastewater Fund	Capital Wastewater Fund	Total
OPERATING REVENUE			
Sewer sales and service charges	\$ 390,590	\$ 297,436	\$ 688,026
Total Operating Revenue	<u>390,590</u>	<u>297,436</u>	<u>688,026</u>
OPERATING EXPENSES			
Sewer expenses			
Treatment	148,840	-	148,840
Collection and transmission	154,760	-	154,760
General and administrative expenses	96,343	79	96,422
Debt service - interest	3	311	314
Depreciation	89,104	24,396	113,500
Total Operating Expenses	<u>489,050</u>	<u>24,786</u>	<u>513,836</u>
Operating Income (Loss)	<u>(98,460)</u>	<u>272,650</u>	<u>174,190</u>
NON-OPERATING REVENUE			
Interest income	19	16,632	16,651
Other income	5,225	-	5,225
Total Non-Operating Revenue	<u>5,244</u>	<u>16,632</u>	<u>21,876</u>
Income before transfers and contributions	(93,216)	289,282	196,066
Transfer in	4,112	-	4,112
Capital contributions	<u>-</u>	<u>870,100</u>	<u>870,100</u>
Change in net assets	(89,104)	1,159,382	1,070,278
Net assets, beginning	<u>1,816,010</u>	<u>4,016,712</u>	<u>5,832,722</u>
NET ASSETS, ENDING	<u><u>\$ 1,726,906</u></u>	<u><u>\$ 5,176,094</u></u>	<u><u>\$ 6,903,000</u></u>

See the accompanying independent auditors' report.

**COLORADO CENTRE METROPOLITAN DISTRICT
CASH FLOW SUMMARY OF NET REVENUES AVAILABLE FOR DEBT SERVICE
WASTEWATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

Revenues	
Sewer charges	\$ 390,590
Other operating income	297,436
Interest income	16,651
Miscellaneous income	5,225
Tap Fees	<u>870,100</u>
 TOTAL REVENUES	 <u>1,580,002</u>
 Operating Expenses	 513,522
Less: depreciation	<u>(113,500)</u>
 NET OPERATING EXPENSES	 400,022
TRANSFERS IN (OUT)	<u>4,112</u>
 NET REVENUES (PLEDGED PROPERTY)	 <u>\$ 1,184,092</u>
 Maximum Debt Service Requirement	 <u>\$ 101,943</u>
 Coverage Factor	 <u>1161.52%</u>
 OPERATION & MAINTENANCE RESERVE:	
 Operating expenses (net of depreciation)	 \$ 400,022
3 month reserve	<u>25%</u>
 Three month reserve requirement	 100,006
Actual Reserve	<u>241,424</u>
 Excess funding	 <u>\$ 141,419</u>

See the accompanying independent auditors' report.