

CENTERRA METROPOLITAN DISTRICT NO. 1
Larimer County, Colorado

FINANCIAL STATEMENTS
December 31, 2004

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Report of Independent Certified Public Accountants

Board of Directors
Centerra Metropolitan District No. 1

We have audited the accompanying financial statements of the governmental activities and each major fund of Centerra Metropolitan District No. 1 (District) as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 and each major fund of Centerra Metropolitan District No. 1, as of December 31, 2004, and the respective changes in its financial position, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the District's basic financial statements. The other supplementary information presented on pages 24 through 26 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Reynolds Henrie & Associates, P.C.

August 4, 2005

Management's Discussion and Analysis

As management of Centerra Metropolitan District No. 1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2004.

Financial Highlights

- Liabilities exceeded assets by \$1,724,172 at the end of the fiscal year. This deficit of net assets was created by two types of transactions. The District funded debt service interest payments, letter of credit payments, swap payments, and remarketing fees from cash set aside from the bond issue, which caused \$929,196 of the deficit. The other major component of the net asset deficit was the District's organizational costs of \$791,266, which were also funded from cash received from the 2004 Bonds.
- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$43,064,662. This combined fund balance includes \$10,316,210 of Debt Service fund balance, and \$32,738,985 of Capital Projects fund balance. These fund balances are the result of unexpended proceeds from the 2004 Bonds.
- Total net assets decreased by \$1,724,172. A significant portion of this decrease is attributable to the District's funding of debt service payments and organizational costs from bond proceeds as described above.
- Total cash and investments increased by \$44,581,382 as compared to the inception of the District. The infusion of cash into the District is a direct result of the District's 2004 Bonds.
- General fund expenditures were \$28,177 for the period ending December 31, 2004. The expenditures included in the General Fund are those costs incurred to provide the administration of the District and include accounting, legal, management, insurance, utilities, landscape maintenance and other costs. These costs are anticipated to increase significantly in future years.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$9,467, or 34% of total General Fund expenditures.
- Total debt increased by \$57,000,000 during the current period. The District issued \$57,000,000 in variable rate revenue bonds on October 15, 2004.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (*governmental activities*). The governmental activities of the District include the financing, construction of, and maintenance of governmental infrastructure including streets, water, sewer, storm, park and recreation, and transportation and traffic improvements constructed or acquired by the District.

The government-wide financial statements can be found on pages 1-2 of this report.

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

Governmental 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 and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds – general fund, debt service fund, and capital projects fund – all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund in the *basic financial statements* to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7-21 of this report.

Other information. The report includes individual fund schedules. A budgetary comparison statement has been provided in this section for the debt service fund and the capital projects fund to demonstrate compliance with these budgets. The budget statements are found after the *basic financial statements* on pages 23-24 of this report. Also, as schedule of debt service requirements to maturity on the District's 2004 Variable Rate Revenue Bonds is included on page 25.

Government-wide Financial Analysis

Since the District was formed in 2004, a comparative analysis of current and prior year balances is not possible. However, such an analysis will exist in subsequent years.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's liabilities exceeded assets by \$1,724,172 at the close of the most recent fiscal year.

Net Assets

Current assets	\$ 44,751,775
Other assets	2,159,219
Capital assets	<u>11,558,611</u>
Total assets	<u>58,469,605</u>
Current liabilities	2,463,137
Long-term obligations	<u>57,730,640</u>
Total liabilities	<u>60,193,777</u>
Unrestricted net assets	<u>(1,724,172)</u>
Total net assets	<u>\$ (1,724,172)</u>

As previously mentioned the District issued \$57,000,000 of bonds during the year, which is included in its entirety in the \$57,730,640 of long-term obligations on the statement of net assets. Of the District's total assets of \$58,469,605 at year end, \$44,581,382 was cash and investments that remained unspent from the District's 2004 Bonds and includes the interest revenue earned on those proceeds, and \$10,051,611 of the total capital assets were acquired or constructed with cash from the 2004 Bonds. As the District finishes construction of infrastructure assets and conveys those assets to other governments (which will ultimately maintain the infrastructure assets), it will create a larger deficit in the District's net assets.

Change in Net Assets

Revenue	
General revenue	
Investment income	\$ 141,557
Other	<u>2,700</u>
Total revenue	<u>144,257</u>
Expenses	
General government	939,233
Interest and related costs on long-term debt	<u>929,196</u>
Total expenses	<u>1,868,429</u>
Change in net assets	<u>(1,724,172)</u>
Net assets - Beginning	<u>-</u>
Net assets - Ending	<u>\$ (1,724,172)</u>

The District's main revenue source for 2004 was investment income earned from the proceeds of the 2004 Bonds. The majority of the expenses for general government were organizational costs of \$791,266. The interest and related costs on long-term debt include interest, letter of credit fees, swap payments, remarketing fees, and collection fees paid to the City of Loveland.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$43,064,662. *Unreserved fund balance* constitutes \$9,467 of this total amount and is available for spending at the government's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$9,467 out of a total fund balance of \$9,467.

The debt service fund has a total fund balance of \$10,316,210, all of which is restricted for the repayment of bond indebtedness.

The capital projects fund has a total fund balance of \$32,738,985, all of which is restricted for the construction of infrastructure.

General Fund Budgetary Highlights

The District's total expenditures for 2004 did not exceed the original budgeted appropriation. The difference between the original budgeted developer advances of \$246,275 and the actual of \$37,644 was \$208,631. Developer advances were not required in the budgeted amount since expenditures in the General Fund were also well below budgeted amounts. The difference between the original budgeted expenditures of \$244,400 and the actual expenditures of \$28,177 was \$216,223. Notable savings were achieved in almost every expense category. The District's primary focus in 2004 was the construction of infrastructure, therefore, the administration of the District was focused on that and the majority of these costs were charged to the Capital Projects Fund.

Capital Assets

The District invested \$11,558,611 in capital assets for its governmental activities for the period ended December 31, 2004. This investment in capital assets includes construction of streets, water, sewer, storm sewer, park and recreation, and transportation and traffic improvements. These assets were included in construction in progress at year end as the assets had not yet been placed into service. These infrastructure assets will ultimately be conveyed to other governments that will maintain these infrastructure assets in the future. At the time of conveyance these assets will be removed from the District's books.

Additional information on the District's capital assets can be found in note 4 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total outstanding bond indebtedness of \$57,000,000. The District's 2004 Bonds are due December 1, 2029 and pay a synthetically fixed interest rate of 2.89%. Subsequent to December 31, 2004, the District entered into an additional swap agreement for the period from November 1, 2007 through maturity at a fixed rate of 4.25%. Interest payments are made monthly on the first business day of the subsequent month.

Additionally, the District had a long-term liability to the developer of \$1,506,664 as a result of funding provided by the developer to the District for operations and capital improvement costs.

Additional information on the District's long-term debt can be found on note 5 of this report.

Next Year's Budgets and Rates

Significant increases are anticipated to operate the District in 2004 for items such as landscape maintenance, utilities, and repairs and maintenance, as well as for items such as accounting, management, legal, and general engineering. Budgeted expenditures for 2005 are \$523,850 and are anticipated to be primarily funded by developer advances.

Requests for Information

This financial report is designed to provide a general overview of the finances for Centerra Metropolitan District No. 1. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Office of the Centerra Metropolitan District No. 1, 6399 South Fiddler's Green Circle, Suite 100, Greenwood Village, CO 80111.

BASIC FINANCIAL STATEMENTS

CENTERRA METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 598,218
Restricted investments	43,983,164
Interest receivable	67,099
Developer advance receivable	103,294
Deferred charges (net of accumulated amortization)	2,159,219
Capital assets	
Construction in progress	<u>11,558,611</u>
Total assets	<u>58,469,605</u>
LIABILITIES	
Accounts payable	1,214,287
Retainage payable	330,156
Interest payable	142,670
Noncurrent liabilities	
Due within one year	776,024
Due in more than one year	<u>57,730,640</u>
Total liabilities	<u>60,193,777</u>
NET ASSETS	
Unrestricted	<u>(1,724,172)</u>
Total net assets	<u>\$ (1,724,172)</u>

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

**CENTERRA METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES**

For the Period May 20, 2004 (inception) to December 31, 2004

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
<u>Expenses</u>	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:				
Government activities:				
General government	\$ 939,233	\$ -	\$ -	\$ (939,233)
Interest and related costs on long-term debt	929,196	-	-	(929,196)
	\$ 1,868,429	\$ -	\$ -	(1,868,429)
General revenues:				
Net investment income				141,557
Other				2,700
Total general revenues				144,257
Change in net assets				(1,724,172)
Net assets - Beginning				-
Net assets - Ending				\$ (1,724,172)

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

CENTERRA METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 15,918	\$ -	\$ 582,300	\$ 598,218
Restricted investments	-	10,590,061	33,393,103	43,983,164
Interest receivable	-	15,133	51,966	67,099
Developer advance receivable	-	-	103,294	103,294
TOTAL ASSETS	\$ 15,918	\$ 10,605,194	\$ 34,130,663	\$ 44,751,775
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 6,451	\$ 146,314	\$ 1,061,522	\$ 1,214,287
Retainage payable	-	-	330,156	330,156
Interest payable	-	142,670	-	142,670
Total liabilities	6,451	288,984	1,391,678	1,687,113
FUND BALANCES				
Reserved for:				
Debt service	-	10,316,210	-	10,316,210
Capital projects funds	-	-	32,738,985	32,738,985
Unreserved, reported in:				
General fund	9,467	-	-	9,467
Total fund balances	9,467	10,316,210	32,738,985	43,064,662
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,918	\$ 10,605,194	\$ 34,130,663	

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.	11,558,611
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Deferred charges, net	2,159,219
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(57,000,000)
Developer advance payable	(1,506,664)
Net assets of governmental activities	\$ (1,724,172)

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

CENTERRA METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Period May 20, 2004 (inception) to December 31, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUE				
Net investment income	\$ -	\$ 31,617	\$ 109,940	\$ 141,557
Miscellaneous	-	-	2,700	2,700
Total revenue	<u>-</u>	<u>31,617</u>	<u>112,640</u>	<u>144,257</u>
EXPENDITURES				
Current				
Accounting and audit	-	-	42,862	42,862
Legal	22,174	-	5,156	27,330
Management	-	-	50,000	50,000
Insurance and bonds	2,324	-	-	2,324
Engineering	-	-	1,999	1,999
Utilities	50	-	-	50
Organization and formation	-	-	791,266	791,266
Miscellaneous	3,629	-	2,555	6,184
Debt service				
Interest expense - Bonds	-	335,845	-	335,845
Interest paid on developer advances	-	-	209,625	209,625
Letter of credit fees	-	1,133,230	-	1,133,230
Remarketing fees	-	10,445	-	10,445
City of Loveland collection fees	-	61,380	-	61,380
Bond issue costs	-	-	1,355,083	1,355,083
Capital outlay	-	-	11,558,611	11,558,611
Contingency	-	25	-	25
Total expenditures	<u>28,177</u>	<u>1,540,925</u>	<u>14,017,157</u>	<u>15,586,259</u>
EXCESS OF REVENUE				
(UNDER) EXPENDITURES	<u>(28,177)</u>	<u>(1,509,308)</u>	<u>(13,904,517)</u>	<u>(15,442,002)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	57,000,000	57,000,000
Operating transfers in	-	11,825,518	-	11,825,518
Operating transfers out	-	-	(11,825,518)	(11,825,518)
Developer advance	37,644	-	7,102,675	7,140,319
Repay developer advance	-	-	(5,633,655)	(5,633,655)
Total other financing sources	<u>37,644</u>	<u>11,825,518</u>	<u>46,643,502</u>	<u>58,506,664</u>
NET CHANGE IN FUND BALANCE	9,467	10,316,210	32,738,985	43,064,662
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 9,467</u>	<u>\$ 10,316,210</u>	<u>\$ 32,738,985</u>	<u>\$ 43,064,662</u>

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

**CENTERRA METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Period May 20, 2004 (inception) to December 31, 2004**

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

Net change in fund balances - Total governmental funds \$ 43,064,662

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. During the current period there were no depreciable assets. Therefore, this is the amount of capital outlay in the current period. 11,558,611

The letter of credit origination fee has been expensed in the fund financial statements but represents a long term asset and has been capitalized in the statement of net assets. 864,557

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bonds payable	(57,000,000)
Developer advance payable	(1,506,664)
Bond issuance costs	1,355,083

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization expense - Bond issue costs	(17,193)
Amortization expense - Letter of credit origination fee	(43,228)
Changes in net assets of governmental activities	\$ (1,724,172)

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

CENTERRA METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Period May 20, 2004 (inception) to December 31, 2004

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Miscellaneous	\$ -	\$ -	\$ -
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current			
Accounting and audit	30,000	-	30,000
Engineering	45,000	-	45,000
Legal	50,000	22,174	27,826
Management	50,000	-	50,000
Insurance and bonds	12,000	2,324	9,676
Landscape maintenance	20,000	-	20,000
Repairs and maintenance	5,000	-	5,000
Utilities	5,000	50	4,950
Miscellaneous	5,000	3,629	1,371
Contingency	22,400	-	22,400
Total expenditures	<u>244,400</u>	<u>28,177</u>	<u>216,223</u>
EXCESS OF REVENUE			
(UNDER) EXPENDITURES	<u>(244,400)</u>	<u>(28,177)</u>	<u>216,223</u>
OTHER FINANCING SOURCES			
Developer advance	246,275	37,644	(208,631)
Total other financing sources	<u>246,275</u>	<u>37,644</u>	<u>(208,631)</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	1,875	9,467	7,592
FUND BALANCE - BEGINNING OF YEAR	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 1,875</u>	<u>\$ 9,467</u>	<u>\$ 7,592</u>

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

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 1 - DEFINITION OF REPORTING ENTITY

Centerra Metropolitan District No. 1 (District), a quasi-municipal corporation was organized on May 20, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the City of Loveland (City), Larimer County, Colorado. The District was established to provide construction, installation, financing and operation of public improvements, including streets, traffic safety controls, landscaping, water, sanitary sewer, storm drainage, television relay, and park and recreation facilities. The District's service plan was approved by the City. Pursuant to the consolidated service plan for Centerra Metropolitan Districts No. 1-4, the District intends to be the Service District related to Centerra Metropolitan District No. 2 (Commercial District), Centerra Metropolitan District No. 3 (Residential District), and Centerra Metropolitan District No. 4 (Regional Improvements District).

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

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

On January 26, 2004, Centerra Public Improvement Collection Corporation (PIC Corporation) and the Retail Sales Fee Corporation (RSF Corporation) were formed. Both PIC Corporation and RSF Corporation are Colorado nonprofit corporations that were formed for the purpose of adopting and imposing Declarations and Covenants on property within Centerra and for the purpose of imposing and collecting certain fees. PIC Corporation and RSF Corporation have entered into an agreement with the District whereby on June 4, 2004, PIC and RSF Corporation have agreed to remit to the District certain revenue received from fees imposed by PIC and RSF Corporations in consideration of the District's financing, construction and operation of public improvements which benefit the members of PIC and RSF Corporations.

The District is not financially accountable for any other organization, including Centerra Metropolitan Districts No. 2-4, PIC Corporation and RSF Corporation, nor is the District a component unit of any other primary governmental entity, including the City.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These financial statements include all of the activities of the District and its component units. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net assets reports all financial and capital resources of the District and its component units. The difference between the assets and liabilities of the District is reported as net assets.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

The District has elected to follow Governmental Accounting Standards Board pronouncements in the government-wide statements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, public improvement fees and retail sales fees. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

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

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

Budgets

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

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

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

Investments are carried at fair value.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. No depreciation expenses had been computed since all capital assets were included in construction in progress at year end.

Amortization

Bond Issue Costs and Organizational Costs

In the government-wide financial statements, bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The letter of credit origination fee is amortized over a period of five years using the straight-line method.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally segregated or are not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserved Fund Balance

The reserved fund balance in the Debt Service Fund in the amount of \$10,316,210 is to be used exclusively for future debt service payments.

The reserved fund balance in the Capital Projects Fund in the amount of \$32,738,985 is to be used exclusively for the construction of infrastructure.

Emergency Reserves, as required by Article X, Section 20 of the Constitution of the State of Colorado, are not applicable to the District in 2004.

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

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

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

At December 31, 2004, the District's cash deposits had a bank balance and a carrying balance as follows:

	Carrying Balance	Bank Balance
Insured deposits	\$ 100,000	\$ 100,000
Deposits collateralized in single institution pools	498,218	1,789,206
	\$ 598,218	\$ 1,889,206

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

The District's investments are categorized to give an indication of the level of credit risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

Investments in local government investment pools or in money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At December 31, 2004, the District's investments were comprised of the following:

Money market funds (not categorized)	<u>\$ 43,983,164</u>
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CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2004 follows:

	Balance at May 20, 2004	Increases	Decreases	Balance at December 31, 2004
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 11,558,611	\$ -	\$ 11,558,611
Total capital assets, not being depreciated	<u>\$ -</u>	<u>\$ 11,558,611</u>	<u>\$ -</u>	<u>\$ 11,558,611</u>

NOTE 5 - LONG-TERM OBLIGATIONS

The District's outstanding long-term obligations at December 31, 2004 were as follows:

	Balance at May 20, 2004	Additions	Reductions	Balance at December 31, 2004	Due Within One Year
Variable rate revenue bonds:					
2004 Bonds	\$ -	\$57,000,000	\$ -	\$ 57,000,000	\$ -
Developer advances	-	7,140,319	5,633,655	1,506,664	776,024
	<u>\$ -</u>	<u>\$64,140,319</u>	<u>\$5,633,655</u>	<u>\$ 58,506,664</u>	<u>\$ 776,024</u>

The detail of the District's long-term obligations is as follows:

Variable Rate Revenue Bonds, Series 2004, were issued on October 15, 2004, in the original amount of \$57,000,000. The bonds are term bonds due on December 1, 2029 with mandatory redemption principal payments starting at \$1,290,000 on December 1, 2008 and increasing annually thereafter.

The bonds are subject to redemption prior to maturity at the option of the District at certain dates depending upon the interest rate mode. The bonds are currently remarketed in the weekly mode. Interest is payable on the first business day of each calendar month. The District may effect a change in mode to a daily, monthly, semi-annual, annual, or flexed pricing mode by giving proper notice in accordance with the provisions in the Indenture.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Letter of Credit

Concurrently with the issuance of the bonds, the District established an irrevocable direct pay Letter of Credit with BNP Paribas (BNP) in the amount of \$57,637,151. The Letter of Credit expires October 25, 2009 unless extended and subject to certain acts of default as defined in the Indenture and the Reimbursement Agreement. A letter of credit origination fee was paid at bond closing and has been capitalized and will be amortized over the life of the letter of credit. Letter of Credit facility fees are paid quarterly at an annual rate of up to 4.0% per annum on the daily average undrawn Stated Amount of the Letter of Credit. The Facility Fee Rate is currently 2.50% per annum and thereafter the Facility Fee Rate will be determined by the debt service coverage ratio for the immediately preceding fiscal year as follows:

Coverage Ratio	Facility Fee Rate
<1.50%	1.50%
1.51% - 1.75%	1.25%
>1.75%	1.00%
Default	4.00%

Flow of Funds

Pursuant to the Indenture, the Trustee has established a Revenue Bond Fund. Pursuant to the Custodial Agreement, the District is to deposit the following pledged revenues into the Revenue Bond Fund: i) Tax Increment Financing (TIF) Revenues; and ii) property tax revenues levied by Centerra Metropolitan Districts No. 2, 3 and 4 (defined as District Tax Revenue). Also, the Custodial Agreement requires that the following Bank Collateral Revenues are to be deposited in the following subaccounts of the Revenue Bond Fund: i) into the PIF Revenue Account all Public Improvement Fee Revenues (PIF); ii) into the S/O Tax Revenue Account, all specific ownership tax revenues; and iii) into the RSF Revenue Account, all Centerra Retail Sales Fee (RSF) Revenues. The revenues deposited into the Revenue Bond Fund and the Collateral Revenue Fund are to be used as set forth below.

Revenue Bond Fund

Amounts deposited into the Revenue Bond Fund are to be applied to the following purposes in the following order of disbursement priority, provided that such transfers are to be made first from the TIF Revenue Account, second, from the District Tax Revenue Account, and third, from the PIF Bond Account.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

- i) Payment of Letter of Credit Fees due to the Letter of Credit Bank
- ii) Payment for operations of the District, not to exceed 25% of the District's annual operating budget in any one month and not to exceed \$600,000 for fiscal years 2005 and 2006, or \$900,000 for 2007, or \$1,200,000 for 2008 and for each fiscal year thereafter.
- iii) Payments on debt service on the 2004 Bonds.
- iv) Payments to replenish the Debt Service Reserve Fund to the extent that the Debt Service Reserve Fund Requirement is not being met. The Debt Service Reserve Fund Requirement is \$4,117,300, and at December 31, 2004, the Debt Service Reserve Fund has a balance of \$4,117,300.
- v) Payments on the swap agreements with BNP and RBC Dain Rauscher, Inc. (see Note 7).
- vi) Payment to the Loveland Urban Renewal Authority (LURA) as the Regional Allocation pursuant to the terms of the Master Financing Agreement.

Collateral Revenue Fund

Amounts in the Collateral Revenue Fund are to be applied to the following purposes in the following order of disbursement priority; provided that such transfers are to be made first from the PIF Revenue Account, second from the S/O Tax Revenue Account, and third from the RSF Revenue Account:

- i) From amount on deposit in the PIF Revenue Account and the RSF Revenue Account to the City for any unpaid fees or expenses due under the terms on the Collection Agreement.
- ii) From amounts on deposit in the PIF Revenue Account to the PIF Bond Account of the Revenue Bond Fund, Pledged PIF Revenues.
- iii) To the Letter of Credit Bank from any Collateral Revenue Fund for amounts remaining due under the Reimbursement Agreement.
- iv) On and before December 31, 2012, to the Supplemental Bank Reserve Fund to the extent that the amount on deposit is less than the Supplemental Bank Reserve Requirement of \$3,000,000. The RSF Corporation has a letter of credit for \$3,000,000 to satisfy this obligation.
- v) Solely from the amounts on deposit in the PIF Revenue Account to the LURA or otherwise as directed by the District
- vi) Amounts on deposit in the Collateral Revenue Fund which have not otherwise been transferred as described above shall be released from the Collateral Revenue Fund and PIF revenue shall be disbursed to the PIF Revenue Account, specific ownership taxes shall be disbursed to the District for any lawful purpose, and RSF Revenue shall be disbursed to the RSF Corporation.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Moneys held in the Collateral Revenue Fund are recorded as a payable at year end since these amounts are due to the PIC Corporation and RSF Corporation under the flow of funds outlined above. At December 31, 2004, the balance in the Collateral Revenue Fund recorded as a payable was \$17,396.

The District entered into two separate swap agreements during 2004 for the purpose of creating a synthetic fixed interest rate on their 2004 Bonds (see Note 7).

The District's long-term obligations, using a synthetic fixed interest rate of 2.89%, will mature as follows:

	Governmental Activities		
	Principal	Interest	Total
2005	\$ -	\$ 1,647,306	\$ 1,647,306
2006	-	1,647,306	1,647,306
2007	-	1,647,306	1,647,306
2008	1,290,000	1,647,306	2,937,306
2009	1,595,000	1,610,025	3,205,025
2010-2014	9,425,000	7,308,977	16,733,977
2015-2019	12,035,000	5,792,731	17,827,731
2020-2024	15,010,000	3,889,370	18,899,370
2025-2030	17,645,000	1,515,228	19,160,228
	\$ 57,000,000	\$ 26,705,555	\$ 83,705,555

NOTE 6 - RELATED PARTY

The members of the Board of Directors are employees, owners or are otherwise associated with McWhinney Enterprises (Developer) and may have conflicts of interest in dealing with the District.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 7 - AGREEMENTS

Master Financing Agreement

The Master Financing Agreement (MFA) was entered into between the District, the City, the Loveland Urban Renewal Authority (LURA), the Developer, Centerra Public Improvement Collection Corporation, and Centerra Public Improvement Development Corporation on April 28, 2004. Pursuant to the MFA the LURA assigned the net TIF Revenues to the District for the purpose of financing certain public improvements. The MFA also requires the recordation of the PIF Covenant against all of the property within the Commercial District to provide for the imposition of a Public Improvement Fee. In connection with the PIF the City agrees in the MFA to cause a credit against the collection of 1.25% of its 3.0% sales tax on taxable sales transactions occurring within the Commercial District. The MFA also provides for the payment to the District by the Residential District of 5.000 mills against the property in the Residential District (referred to as the Residential Contribution). The MFA also authorizes the District to provide for the construction or acquisition of certain public improvements.

Funding and Reimbursement Agreement (Operations and Maintenance Costs)

On August 4, 2004 the District entered into a Funding and Reimbursement Agreement with the Developer for operations and maintenance costs. Under the terms of this agreement the Developer agreed to loan to the District up to \$1,000,000 during the calendar years 2004-2006 for the purpose of funding operations and maintenance costs of the District. These loans take the form of notes from the District to the Developer. The notes accrue interest of 2% plus the current Federal Reserve Board Prime and are considered to be multiple year obligations. Interest compounds at the end of the fiscal year.

Funding and Reimbursement Agreement (Capital Costs)

On July 29, 2004 the District entered into a Funding and Reimbursement Agreement with the Developer for capital costs. Under the terms of this agreement the Developer agreed to loan the District up to \$23,270,000 during the calendar years 2004 and 2005 for the purpose of constructing public facilities as outlined in the District's service plan and funding organization costs incurred establishing the District. Loans take the form of notes from the District to the Developer. The notes accrue interest of 2% plus the current Federal Reserve Board Prime and are considered to be multiple year obligations. Interest compounds at the end of the fiscal year.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 7 - AGREEMENTS (CONTINUED)

Improvements Acquisition Agreement

On September 2, 2004 the District entered into an Improvements Acquisition Agreement with the Developer. Under the terms of this agreement the Developer agreed to design, construct and complete certain public improvements as outlined in the agreement. The District agreed to purchase these improvements from the Developer upon formal acceptance of the improvements.

Interest Rate Swaps

On October 26, 2004, the District entered into swap agreements with BNP Paribas (BNP) for the notional amount of \$28,500,000 and with Royal Bank of Canada (RBC) for the notional amount of \$28,500,000 (collectively referred to as the swaps).

Objective of the interest rate swaps. As a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in October 2004, the District entered into two interest rate swaps in connection with its \$57 million Series 2004 Variable Rate Revenue Bonds (Series 2004 Bonds). The intention of the swaps was to effectively change the District's variable interest rate on the bonds to a synthetic fixed rate of 2.89%, through November 1, 2007.

Terms. The bonds mature on December 1, 2029, and the related swaps mature on November 1, 2007. The principal amount of the Series 2004 Bonds of \$57 million matches the total of the BNP swap of \$28.5 million and the RBC swap of \$28.5 million. The swaps were entered into at the same time the bonds were issued (October 2004). Under the swaps, the District pays the counterparty a fixed payment of 2.895% and receives a variable payment based on the Bond Market Association Swap Index (BMA). The bonds variable rate coupons are also based on the BMA.

Fair Value. Because interest rates have declined since execution of the swaps, the swaps had a negative fair value of \$316,398. The fair value was determined to be the market price of the swaps at December 31, 2004.

Credit Risk. As of December 31, 2004, the District was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swaps counterparties were each rated "AA" by Fitch Ratings and Standard & Poor's and "Aa2" by Moody's Investors Service as of December 31, 2004.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 7 - AGREEMENTS (CONTINUED)

Basis Risk. The District has managed its basis risk by choosing to receive their variable rate payments from BNP and RBC based on the BMA, which will closely approximate the variable rate interest payments due on the bonds.

Termination Risk. The District or BNP or RBC may terminate the swap if the other party fails to perform under the terms of the contract. The swaps may be terminated at any time based on the District's option or because of default. If the District decides to take their option to terminate the agreement they are obligated to give two business days notice and pay a settlement amount to free themselves of the swap contract. If an event of default occurs by BNP or RBC, for instance if their credit rating falls below "A-" as issued by Fitch Ratings or Standard & Poor's or "A3" as issued by Moody's Investors Service, the swaps can be terminated. Also, if at the time of the termination, the swaps have a negative fair value, the District would be liable to BNP and RBC for a payment equal to the absolute value of the swap's fair value, or, if the fair value of the swaps are positive, the District will pay the fair value of the swaps.

Subsequent to December 31, 2004, the District entered into an additional swap agreement for the period from November 1, 2007 through maturity at a synthetic fixed interest rate of 4.25%.

NOTE 8 - ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations of the District will be dependent upon funding by the Developer.

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND OPERATING TRANSFERS

The transfer of \$11,825,518 from the Capital Projects Fund to the Debt Service Fund was to move proceeds from the 2004 Bonds that are restricted for payment of interest, letter of credit fees, collection agreement fees and paying agent fees, and to establish a Debt Service Reserve.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2004, the District had unexpended construction related contract commitments of approximately \$909,000.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 11 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2004. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On May 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

CENTERRA METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Period May 20, 2004 (inception) to December 31, 2004

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Net investment income	\$ 93,750	\$ 31,617	\$ (62,133)
Total revenue	<u>93,750</u>	<u>31,617</u>	<u>(62,133)</u>
EXPENDITURES			
Debt service			
Interest expense - Bonds	1,600,000	335,845	1,264,155
Letter of credit fees	-	1,133,230	(1,133,230)
Remarketing fees	5,000	10,445	(5,445)
City of Loveland collection fee	-	61,380	(61,380)
Contingency	10,000	25	9,975
Total expenditures	<u>1,615,000</u>	<u>1,540,925</u>	<u>74,075</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(1,521,250)</u>	<u>(1,509,308)</u>	<u>11,942</u>
OTHER FINANCING SOURCES			
Transfers in	12,500,000	11,825,518	(674,482)
Total other financing sources	<u>12,500,000</u>	<u>11,825,518</u>	<u>(674,482)</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	10,978,750	10,316,210	(662,540)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,978,750</u>	<u>\$ 10,316,210</u>	<u>\$ (662,540)</u>

CENRA METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Period May 20, 2004 (inception) to December 31, 2004

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE			
Net investment income	\$ 375,000	\$ 109,940	\$ (265,060)
Miscellaneous	-	2,700	2,700
Total revenue	<u>375,000</u>	<u>112,640</u>	<u>(262,360)</u>
EXPENDITURES			
Current			
Accounting and audit	80,000	42,862	37,138
Architecture and engineering	5,596,000	-	5,596,000
Legal	-	5,156	(5,156)
Management	175,000	50,000	125,000
Engineering	-	1,999	(1,999)
Interest paid on developer advances	-	209,625	(209,625)
Organization and formation costs	-	791,266	(791,266)
Bond issue costs	1,500,000	1,355,083	144,917
Miscellaneous	-	2,555	(2,555)
Capital outlay			
Water	3,824,000	776,557	3,047,443
Streets	26,089,000	4,805,758	21,283,242
Transportation	-	106,456	(106,456)
Park and recreation	5,647,000	189,972	5,457,028
Sewer and storm sewer	5,810,000	5,679,868	130,132
Contingency	750,000	-	750,000
Total expenditures	<u>49,471,000</u>	<u>14,017,157</u>	<u>35,453,843</u>
EXCESS OF REVENUE			
(UNDER) EXPENDITURES			
	<u>(49,096,000)</u>	<u>(13,904,517)</u>	<u>35,191,483</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	61,600,000	57,000,000	(4,600,000)
Developer advance	6,400,000	7,102,675	702,675
Repay developer advance	(6,400,000)	(5,633,655)	766,345
Transfers out	(12,500,000)	(11,825,518)	674,482
Total other financing sources	<u>49,100,000</u>	<u>46,643,502</u>	<u>(2,456,498)</u>
EXCESS OF REVENUE AND OTHER			
FINANCING SOURCES OVER			
EXPENDITURES AND OTHER USES			
	4,000	32,738,985	32,734,985
FUND BALANCE - BEGINNING OF YEAR			
	-	-	-
FUND BALANCE - END OF YEAR			
	<u>\$ 4,000</u>	<u>\$ 32,738,985</u>	<u>\$ 32,734,985</u>

CENTERRA METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2004

\$57,000,000 Variable Rate Revenue Bonds
Series 2004
Dated October 15, 2004
Principal due December 1
Variable Interest Rate (Weekly Mode)
Paid 1st Business Day of Subsequent Month

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest **</u>	<u>Annual Debt</u> <u>Service</u>
2005	\$ -	\$ 1,647,306	\$ 1,647,306
2006	-	1,647,306	1,647,306
2007	-	1,647,306	1,647,306
2008	1,290,000	1,647,306	2,937,306
2009	1,595,000	1,610,025	3,205,025
2010	1,655,000	1,563,929	3,218,929
2011	1,735,000	1,516,099	3,251,099
2012	1,915,000	1,465,957	3,380,957
2013	2,015,000	1,410,613	3,425,613
2014	2,105,000	1,352,379	3,457,379
2015	2,200,000	1,291,544	3,491,544
2016	2,300,000	1,227,964	3,527,964
2017	2,400,000	1,161,494	3,561,494
2018	2,510,000	1,092,134	3,602,134
2019	2,625,000	1,019,595	3,644,595
2020	2,745,000	943,732	3,688,732
2021	2,865,000	864,401	3,729,401
2022	2,995,000	781,602	3,776,602
2023	3,130,000	695,046	3,825,046
2024	3,275,000	604,589	3,879,589
2025	3,420,000	509,941	3,929,941
2026	3,575,000	411,103	3,986,103
2027	3,740,000	307,785	4,047,785
2028	3,910,000	199,699	4,109,699
2029	3,000,000	86,700	3,086,700
	<u>\$ 57,000,000</u>	<u>\$ 26,705,555</u>	<u>\$ 83,705,555</u>

** Estimated average weekly rate for 2005

2.89%