

CENTERRA METROPOLITAN DISTRICT NO. 1
Larimer County, Colorado

FINANCIAL STATEMENTS
December 31, 2011

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David B. Green • CPA • LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Centerra Metropolitan District No. 1

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Centerra Metropolitan District No. 1 as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Centerra Metropolitan District No. 1'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Centerra Metropolitan District No. 1, as of December 31, 2011, and the respective changes in financial position 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 on pages II through VII and page 29 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 Centerra Metropolitan District No. 1's financial statements as a whole. The supplemental information on pages 31 through 33 are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the supplemental 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.



April 14, 2012
Brighton, Colorado

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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, 2011.

Financial Highlights

- Liabilities exceeded assets by \$68,118,327 at the end of the fiscal year. This deficit of net assets is largely due to the District being responsible for the repayment of debt used for public improvements which were subsequently dedicated to other governments.
- At December 31, 2011, the District's governmental funds reported combined ending fund balances of \$11,401,752. This combined fund balance includes \$9,415,525 of Debt Service Fund balance, and \$817,264 of Capital Projects Fund balance.
- Total net assets decreased by \$3,459,112. A significant portion of this decrease is attributable to the District incurring debt or funding for capital improvements but transferring the related assets to the City of Loveland.
- Total cash and investments decreased by \$6,366,198 as compared to 2010. The decrease in cash and investments is due to spending to construct capital assets and making debt payments.
- General Fund expenditures were \$1,064,530 for the year ended December 31, 2011. 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.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,115,393, or 104.8% of total General Fund expenditures.

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-side 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 3-5 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 6-27 of this report.

Other information. The report includes individual fund schedules. A budgetary comparison statement has been provided in this section for the General Fund, 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 28-32 of this report. A five year summary of Centerra Metropolitan District No. 2's assessed valuation, mill levy and property taxes collected is included on page 33.

Government-wide Financial Analysis

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 \$68,118,327 at the close of the most recent fiscal year.

Net Assets

	December 31,	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 14,802,985	\$ 21,155,983
Other assets	1,255,000	1,633,773
Capital assets	33,461,470	36,599,667
Deferred outflow of derivative instruments	<u>22,560,210</u>	<u>5,732,179</u>
Total assets	<u>72,079,665</u>	<u>65,121,602</u>
Current liabilities	3,401,233	5,435,844
Long-term obligations	114,239,788	118,612,794
Liability for derivative instruments	<u>22,471,665</u>	<u>5,732,179</u>
Total liabilities	<u>140,112,686</u>	<u>129,780,817</u>
Invested in capital assets, net of related debt	(14,167,996)	(20,544,071)
Restricted net assets	10,273,489	1,191,057
Unrestricted net assets	<u>(64,138,514)</u>	<u>(45,306,201)</u>
Total net assets	<u>\$ (68,033,021)</u>	<u>\$ (64,659,215)</u>

The District's current assets decreased \$6,352,998 mainly due to decreases in cash and investments of \$6,366,198. The cash and investments were used mainly to construct capital assets and make debt payments.

Change in Net Assets

	December 31,	
	2011	2010
Revenue		
General revenue		
URA revenues	\$ 9,402,538	\$ 11,584,620
Net investment income and other income	13,811	268,516
Intergovernmental revenue - District No. 2 & 3	304,693	337,667
Cost sharing reimbursement	-	376,103
Program revenue		
Charges for services	1,232,372	83,772
Total revenues	10,953,414	12,650,678
Expenses		
General government	4,089,039	3,466,595
Dedication of capital assets to other governments	3,211,732	3,505,571
Interest and related costs on long-term debt	7,026,449	18,151,383
Total expenses	14,327,220	25,123,549
Change in net assets	(3,373,806)	(12,472,871)
Net assets - Beginning	(64,659,215)	(52,186,344)
Net assets - Ending	\$ (68,033,021)	\$ (64,659,215)

The District's main revenue sources for 2011 were revenues from the Loveland Urban Renewal Authority (URA), intergovernmental revenue, Public Improvement Fees and investment income. The majority of the expenses for general government were accounting, legal, landscape maintenance, Chapungu Park, utilities, waterline reimbursement, management and administration, for both administrative and capital functions, totaling \$1,168,753. The interest and related costs on long-term debt include interest, principal, debt fees, swap payments, paying agent fees, trustee fees and amortization of debt issue costs, interest expense on Developer advances, 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, outflow, 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.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$11,401,752. *Unassigned fund balance* constitutes \$1,115,393 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, restricted fund balance of the General Fund was \$40,700, nonspendable fund balance was \$12,870, and the unassigned fund balance was \$1,115,393 for a total fund balance of \$1,168,963.

The Debt Service Fund has a total fund balance of \$9,415,525, all of which is restricted for repayments on debt service.

The Capital Projects Fund has a total fund balance of \$817,264, all of which is restricted for the construction of infrastructure.

General Fund Budgetary Highlights

During the year ended December 31, 2011, the District incurred actual expenditures of \$1,064,530 in the General Fund. The difference between actual and budgeted expenditures of \$1,333,769 was \$269,239. Notable savings were achieved in several expense categories, including savings of \$122,000 for contingency.

Capital Assets

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

Long-Term Debt

On June 8, 2011, the District entered into a \$130,920,000 Loan Agreement (2011 Loan) which was used to repay the 2008 Series Variable Rate Refunding and Improvement Revenue Bonds and provide additional funds for construction, debt issuance costs, and increased debt service reserve. At closing, the District was funded \$120,920,000. The remaining \$10,000,000 was retained by the lender and is made available through multiple advances until September 1, 2014. In 2011, the District was advanced \$1,548,665.

At the end of the current fiscal year, the District had total outstanding loan indebtedness of \$119,918,665. The District's 2011 Loan matures on June 8, 2016. At or prior to maturity, the District anticipates entering into a new loan agreement or remarketing the debt in the form of bonds. The District pays a synthetically fixed interest rate of 3.46% on the original amount of \$110,920,000 and 3.556% on the original amount of \$10,000,000 through maturity due to swap agreements in place at December 31, 2011. Interest payments are made quarterly.

Additionally, the District used loan proceeds to repay all long-term liabilities to the Developer, which resulted from funding provided by the Developer to the District for capital improvement costs.

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

Next Year's Budgets and Rates

In 2012, budgeted expenditures for the General fund are \$1,366,583 and are anticipated to be primarily funded by URA revenues and services fees from District No. 2.

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: Centerra Metropolitan District No. 1, c/o Pinnacle Consulting Group, Inc., 5110 Granite Street, Suite C, Loveland, CO 80538.

BASIC FINANCIAL STATEMENTS

CENTERRA METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET ASSETS
December 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,149,309
Cash and investments - Restricted	13,613,535
Service fees receivable	21,345
Other receivable	5,926
Prepaid insurance expense	12,870
Deferred charges (net of accumulated amortization)	1,255,000
Capital assets not being depreciated	
Construction in progress	1,819,371
Water rights	3,423,082
Capital assets, net	28,219,017
Deferred outflow of derivative instruments	22,560,210
Total assets	<u>72,079,665</u>
LIABILITIES	
Accounts payable	382,384
Loan interest payable	541,543
Deferred URA revenue	3,018,849
Noncurrent liabilities	
Due within one year	2,645,176
Due in more than one year	111,053,069
Liability for derivative instruments	22,471,665
Total liabilities	<u>140,112,686</u>
NET ASSETS	
Invested in capital assets, net of related debt	(14,167,996)
Restricted for:	
Emergency reserves	40,700
Debt service	9,415,525
Capital projects	817,264
Unrestricted	(64,138,514)
Total net assets	<u>\$ (68,033,021)</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
Year Ended December 31, 2011

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Government activities:					
General government	\$ 4,089,039	\$ 1,145,000	\$ -	\$ -	\$ (2,944,039)
Dedication of capital assets to other government	3,211,732	-	-	-	\$ (3,211,732)
Interest related costs on long-term debt	7,026,449	87,372	-	-	(6,939,077)
Total governmental activities:	\$ 14,327,220	\$ 1,232,372	\$ -	\$ -	\$ (13,094,848)
General revenues:					
Net investment income and other income					13,811
Service fees - District No. 2, 3 & 5					304,693
URA revenues					9,402,538
Total general revenues					9,721,042
Change in net assets					(3,373,806)
Net assets - Beginning					(64,659,215)
Net assets - Ending					\$ (68,033,021)

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, 2011

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,149,309	\$ -	\$ -	\$ 1,149,309
Cash and investments - Restricted	40,700	12,704,403	868,432	13,613,535
Receivable - Service fees	21,182	163	-	21,345
Other receivable	5,926	-	-	5,926
Prepaid insurance	12,870	-	-	12,870
TOTAL ASSETS	\$ 1,229,987	\$ 12,704,566	\$ 868,432	\$ 14,802,985
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 61,024	\$ 270,192	\$ 51,168	\$ 382,384
Deferred URA revenue	-	3,018,849	-	3,018,849
Total liabilities	61,024	3,289,041	51,168	3,401,233
FUND BALANCES				
Nonspendable	12,870	-	-	12,870
Restricted	40,700	9,415,525	817,264	10,273,489
Unassigned	1,115,393	-	-	1,115,393
Total fund balances	1,168,963	9,415,525	817,264	11,401,752
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,229,987	\$ 12,704,566	\$ 868,432	

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 as assets in the funds.	
Capital assets, not being depreciated	5,242,453
Capital assets, net	28,219,017
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Debt issue costs, net	1,255,000
Long-term liabilities, including a loan payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Loan payable	(119,918,665)
Cost of refunding, net	6,220,420
Loan interest payable	(541,543)
Net difference on derivative instruments	88,545
Net assets of governmental activities	<u>\$ (68,033,021)</u>

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

CENTERRA METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2011

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Service fees - District 2, 3 & 5	\$ 297,519	\$ 7,174	\$ -	\$ 304,693
Net investment and other income	8,085	5,140	586	13,811
Public improvement fees	-	87,372	1,145,000	1,232,372
URA revenues	1,049,000	8,353,538	-	9,402,538
Total Revenues	<u>1,354,604</u>	<u>8,453,224</u>	<u>1,145,586</u>	<u>10,953,414</u>
EXPENDITURES				
Current				
Accounting & financial management	145,326	-	-	145,326
Audit	9,800	-	-	9,800
Chapungu Park	157,677	-	-	157,677
Directors' fees	2,500	-	-	2,500
District management	95,868	-	129,586	225,454
Engineering	640	-	-	640
Hardscape maintenance	55,799	-	-	55,799
Insurance and bonds	21,146	-	-	21,146
Landscape maintenance	332,312	-	-	332,312
Legal	157,814	-	-	157,814
Office expense/miscellaneous	5,884	-	-	5,884
Payroll taxes	1,117	-	-	1,117
Snow removal and sidewalk sweeping	6,516	-	-	6,516
Utilities	72,131	-	-	72,131
Debt service				
Paying agent/trustee/banking fees	-	5,500	-	5,500
Principal payments	-	113,470,000	-	113,470,000
Interest expense	-	4,849,430	-	4,849,430
Debt fees	-	966,897	-	966,897
City of Loveland collection fees	-	87,372	-	87,372
Debt issue costs	-	-	1,288,238	1,288,238
Reimbursement per PIC Agreement	-	-	1,145,000	1,145,000
Reimbursement per Waterline Agreement - Principal	-	-	74,679	74,679
Reimbursement per Waterline Agreement - Interest	-	-	3,360	3,360
Repayment of developer advance - Principal	-	-	11,893,112	11,893,112
Repayment of developer advance - Interest	-	-	614,936	614,936
Capital outlay	-	-	1,823,458	1,823,458
Total expenditures	<u>1,064,530</u>	<u>119,379,199</u>	<u>16,972,369</u>	<u>137,416,098</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>290,074</u>	<u>(110,925,975)</u>	<u>(15,826,783)</u>	<u>(126,462,684)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	122,468,665	122,468,665
Developer advance	-	-	24,665	24,665
Transfer from other fund	-	111,043,528	115,067	111,158,595
Transfer to other fund	-	(115,067)	(111,043,528)	(111,158,595)
Total other financing sources (uses)	<u>-</u>	<u>110,928,461</u>	<u>11,564,869</u>	<u>122,493,330</u>
NET CHANGE IN FUND BALANCES	290,074	2,486	(4,261,914)	(3,969,354)
FUND BALANCES - BEGINNING OF YEAR	878,889	9,413,039	5,079,178	15,371,106
FUND BALANCES - END OF YEAR	<u>\$ 1,168,963</u>	<u>\$ 9,415,525</u>	<u>\$ 817,264</u>	<u>\$ 11,401,752</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
Year Ended December 31, 2011**

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

Net change in fund balances - Total governmental funds \$ (3,969,354)

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 of the estimated useful life of the asset.

Capital outlay	1,823,458
Dedication of infrastructure to other governments	(3,211,732)
Depreciation	(1,749,923)

The issuance of long-term debt (e.g., bonds, Developer advances) 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.

Current year debt - Developer advance	(24,665)
Current year debt - Loan proceeds	(122,468,665)
Current year repayment of Developer advance - Principal	11,893,112
Current year repayment of debt principal	113,470,000
Current year debt issuance costs	1,288,238
Current year amortization of debt issuance costs	(72,804)
Current year amortization of cost of refunding	(558,322)
Current year reimbursement per waterline agreement - Principal	74,679

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.

Accrued interest on Developer advance - Change in liability	585,170
Accrued interest on loan payable - Change in liability	(541,543)
Net change in derivative instruments	88,545

Changes in net assets of governmental activities \$ (3,373,806)

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, 2011

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 (Title 32, Article 1, Colorado Revised Statutes). 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 operates as the Service District related to Centerra Metropolitan District No. 2 (Commercial District), Centerra Metropolitan District No. 3 (Residential District), Centerra Metropolitan District No. 4 (Regional Improvements District) and Centerra Metropolitan District No. 5 (Industrial District).

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.

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

On January 26, 2004, Centerra Public Improvement Collection Corporation (PIC Corporation) and the Centerra Retail Sales Fee Corporation (RSF Corporation) were formed. Both PIC Corporation and RSF Corporation are 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 Corporations have entered into an agreement with the District whereby on June 4, 2004, PIC and RSF Corporations have agreed to remit to the District certain revenues 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. In the refinancing of the 2004 bonds in March of 2008, the RSF Corporation was released from its agreement.

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, 2011

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. For the most part, 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. 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 capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 service fees and public improvement fees.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Program revenues consist of public improvement fees. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

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.

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

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 total 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.

During the year ended December 31, 2011, supplementary appropriations approved by the District's Board of Directors modified the appropriations from \$9,369,845 to \$119,963,749 in the Debt Service Fund and \$11,426,040 to \$128,431,221 in the Capital Projects Fund.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

For purpose of presentation in the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns 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.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of invested in capital assets, net of related debt component of the District's net assets.

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.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful life:

Monumentation	20 years
Landscape/Parks and recreation	20 years
Promenade infrastructure	20 years
Sanitary sewer and storm drainage	20 years
Streets	20 years

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Debt Issue Costs

In the government-wide financial statements, debt issuance costs are reported as deferred charges and amortized over the term of the related debt using the effective interest method.

In the fund financial statements, governmental fund types recognize debt issue costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service or capital projects expenditures.

Fund Equity

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The District adopted this in the fiscal year 2011 and has disclosed this information in Note 7 (Fund Balance).

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 1,149,309
Cash and investments - Restricted	13,613,535
Total cash and investments	<u>\$ 14,762,844</u>

Cash and investments as of December 31, 2011, consist of the following:

Deposits with financial institutions	\$ 294,147
Investments	14,468,697
Total cash and investments	<u>\$ 14,762,844</u>

Deposits with Financial Institutions

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, 2011, the District's cash deposits had a bank balance of \$451,708 that was either federally insured or collateralized by PDPA, and a carrying balance of \$294,147.

Investments

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

The District generally limits its concentration of investments to local government investment pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

As of December 31, 2011, the District had the following investments:

<u>Government Activities</u>		<u>Investment Maturity (in Years)</u>			
Investment Type	Standard and Poor's Rating	Less than 1	1-3	4-5	Total
Local Government Investment Pool	AAAm	\$ 5,172,367	\$ -	\$ -	\$ 5,172,367
Public Funds Money Market Account	A-/A-2	<u>9,296,330</u>	<u>-</u>	<u>-</u>	<u>9,296,330</u>
		\$ 14,468,697	\$ -	\$ -	\$ 14,468,697

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

During 2011, the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value up to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, both of which are rated AAAM from Standard and Poor's. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2011, the Centerra Metropolitan District No. 1 had \$5,051,876 invested in COLOTRUST PRIME.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2011, follows:

	<u>Balance at December 31, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2011</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,267,411	\$ 1,763,692	\$ 3,211,732	\$ 1,819,371
Water rights	3,423,082	-	-	3,423,082
Total capital assets, not being depreciated	<u>6,690,493</u>	<u>1,763,692</u>	<u>3,211,732</u>	<u>5,242,453</u>
Capital assets, being depreciated:				
Monumentation	4,550,218	-	-	4,550,218
Landscape improvements	8,726,633	-	-	8,726,633
Promenade shops	20,988,826	-	-	20,988,826
Sanitary sewer and storm drainage	118,843	-	-	118,843
Streets	613,929	59,766	-	673,695
Total capital assets, being depreciated	<u>34,998,449</u>	<u>59,766</u>	<u>-</u>	<u>35,058,215</u>
Less accumulated depreciation for:				
Monumentation	1,075,308	227,511	-	1,302,819
Landscape improvements	1,389,249	436,332	-	1,825,581
Promenade shops	2,589,778	1,049,441	-	3,639,219
Sanitary sewer and storm drainage	3,395	5,942	-	9,337
Streets	31,545	30,697	-	62,242
Total accumulated depreciation	<u>5,089,275</u>	<u>1,749,923</u>	<u>-</u>	<u>6,839,198</u>
Total capital assets, being depreciated, net	<u>29,909,174</u>	<u>(1,690,157)</u>	<u>-</u>	<u>28,219,017</u>
Governmental activities capital assets, net	<u>\$ 36,599,667</u>	<u>\$ 73,535</u>	<u>\$ 3,211,732</u>	<u>\$ 33,461,470</u>

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

Governmental Activities:	
General government	\$ 1,749,923
Total depreciation expense - Governmental activities	<u>\$ 1,749,923</u>

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2011.

	<u>Balance at December 31, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2011</u>	<u>Due Within One Year</u>
Variable rate revenue and refunding bonds					
2008 Bonds	\$ 110,920,000	\$ -	\$ (110,920,000)	\$ -	\$ -
Loan agreement	-	122,468,665	(2,550,000)	119,918,665	2,650,000
Cost on refunding	(5,184,535)	(1,594,207)	558,322	(6,220,420)	(546,367)
Interest on loan agreement	-	541,543	-	541,543	541,543
Developer advances	11,868,447	24,665	(11,893,112)	-	-
Interest on Developer advances	585,170	29,766	(614,936)	-	-
Waterline reimbursement agreement note payable	74,679	-	(74,679)	-	-
	<u>\$ 118,263,761</u>	<u>\$ 121,470,432</u>	<u>\$ (125,494,405)</u>	<u>\$ 114,239,788</u>	<u>\$ 2,645,176</u>

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

2011 Loan Agreement (2011 Loan) dated June 8, 2011 was issued in the original amount of \$130,920,000 for the purpose of: (i) refunding the District's outstanding Variable Rate Refunding and Improvement Revenue Bonds, Series 2008; (ii) acquiring and constructing certain public infrastructure improvements in the District required for the Development, consisting generally of streets, water, sanitary sewer, park and recreation, and related improvements, including reimbursements to the Developer for amounts advanced for such purposes; and (iii) paying certain costs related to the issuance of the 2011 Loan. The 2011 Loan establishes a variable interest rate of 2.0625% plus 75% of the London Interbank Offered Rate (LIBOR), payable quarterly. On the loan issuance date, the District was funded \$120,920,000. The remaining \$10,000,000 was retained by the lender and is made available through multiple advances until September 1, 2014. In 2011, the District was advanced \$1,548,665. The 2011 Loan matures on June 8, 2016. At or prior to maturity, the District anticipates entering into a new loan agreement or remarketing the debt in the form of bonds. The 2011 loan requires annual principal payments starting on December 1, 2011. A principal payment of \$2,550,000 was paid in 2011.

The loan is secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) Tax Increment Financing (TIF) Revenues derived from the Required Mill Levy, (2) Public Improvement Fee (PIF) Revenues, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The loan is also secured by amounts held by the Custodian in the Reserve Fund(s). Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of Centerra Metropolitan District No. 2 each year in a amount sufficient to pay the principal,

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

premium if any, and interest on the bonds as the same become due and payable and to make up any deficiencies in the Reserve Fund. The maximum Required Mill Levy is 72 mills and the minimum Mill Levy is 35 mills, with respect to Centerra Metropolitan District No. 2, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2011, the adjusted maximum mill levy is 72 mills and the adjusted minimum mill levy is 35 mills. For collection year 2011, the District levied 42.6 mills with respect to District No. 2, 6.655 mills for District No. 2 Bond and 35.000 mills for District No. 2 Residential Debt.

Flow of Funds

Pursuant to the Loan Agreement, the Custodian has established a Debt Service Fund. Pursuant to the Custodial Agreement, the District is to deposit the following pledged revenues into the Debt Service Fund: i) Tax Increment Financing (TIF) Revenues; and ii) Residential Contributions, defined by the "Residential District IGA" as an amount equal to the assessment of 5 mills against taxable property within the Residential District (Centerra Metropolitan Districts 2 - 4), from the earlier of: (a) the issuance of the first certificate of occupancy in the Residential District; or (b) January 1, 2009, through at least August 19, 2029. Also, the Custodial Agreement requires that the following Collateral Revenues are to be deposited in the following subaccounts of the Collateral Revenue Fund: i) into the PIF Revenue Account all Public Improvement Fee (PIF) Revenues; ii) into the S/O Tax Revenue Account, all specific ownership tax revenues. The revenues deposited into the Debt Service Fund and the Collateral Revenue Fund are to be used as set forth below.

Debt Service Fund

Amounts deposited into the Debt Service 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 Residential Tax Revenue Account, and third, from the PIF Debt Requirements Account.

- i) Payment of Fees due to the Custodian.
- ii) Payments on debt service on the 2011 Loan, and then payments on the swap agreements with Royal Bank of Canada (RBC) and Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) (see Note 10).
- iii) Payments to replenish the Debt Service Reserve Funds to the extent that the Debt Service Fund Requirement is not being met.
- iv) Payment for Swap Termination if needed.
- v) Payment to the Loveland Urban Renewal Authority (LURA) as the Regional Allocation pursuant to the terms of the Master Financing Agreement (MFA).

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

- vi) Payment for operations of the District, not to exceed the District's annual operating budget and not greater than \$167,000 per month when combined with transfers made from the Collateral Revenue Fund, without prior written consent of the majority bank.

Collateral Revenue Fund

Amounts deposited into 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 PIF Revenue Account then from the S/O Tax Revenue Account:

- i) From the amount on deposit in the PIF 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 Debt Requirement Account of the Debt Service Fund, to fund any insufficiencies of the Debt Service Fund as outlined above.
- iii) Solely from the amounts on deposit in the PIF Revenue Account to the LURA as the Regional Allocation pursuant to the terms of the MFA.
- iv) Payment for operations of the District, not to exceed the District's annual operating budget and not greater than \$167,000 per month when combined with transfers made from the Debt Service Fund, without prior written consent of the majority bank.

The District amended the existing swap agreement with Royal Bank of Canada (RBC) for the purpose of creating a synthetic fixed interest rate of 5.5225% (2.0625% base rate plus 3.46% swap rate) with per annum on \$110,920,000 of the 2011 Loan. (See Note 10)

The District entered into a swap agreement with Banco Bilbao Vizcaya Argentaria (BBVA) during 2011 for the purpose of creating a synthetic fixed interest rate of 3.556% per annum on \$10,000,000 of the 2011 Loan. (See Note 10)

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations, using the synthetic fixed interest rates, mature as follows:

	Governmental Activities		
	Principal	Interest	Total
2012	\$ 2,650,000	\$ 6,388,784	\$ 9,038,784
2013	2,800,000	6,429,636	9,229,636
2014	3,220,000	6,283,102	9,503,102
2015	3,495,000	6,116,245	9,611,245
2016	116,205,000	2,479,560	118,684,560
	\$ 128,370,000	\$ 27,697,328	\$ 156,067,328

Refunding

On June 8, 2011, the District advance refunded and defeased (debt legally satisfied) \$110,920,000 of Series 2008 Variable Rate Refunding and Improvement Revenue Bonds dated March 14, 2008, with an average interest rate of 3.5502% by the issuance of the 2011 Loan for \$130,920,000 dated June 8, 2011, with an average interest rate of 3.46%. The District advance refunded the 2008 Series bonds to reduce its interest rate. There was an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$(1,288,238). Restrictions on the monies restricted for interest payments and the reserve account pertaining to the defeased bonds were removed under the new refunding. The defeased bonds are not considered a liability of the District since sufficient funds in the amount of \$110,924,467 were deposited with a trustee for the purpose of paying the principal and interest of the defeased bonds on June 8, 2011, at which point the bonds were repaid in their entirety from funds in the escrow account. As of December 31, 2011, the outstanding principal balance of the bonds is \$-0-.

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$6,220,420 , which has been deferred and is being amortized over the life of the original debt.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$5,350,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2011, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized May 4, 2004	Authorization Used 2004/2008 Bonds	Authorization Used 2011 Loan	Authorized But Unissued
Street improvement	\$ 350,000,000	\$ 52,653,216	\$ 12,365,299	\$ 284,981,485
Traffic and safety controls	350,000,000	3,335,311	461,658	346,203,031
Water supply system	350,000,000	8,559,504	1,493,844	339,946,652
Sanitary sewer and storm drainage	350,000,000	25,818,969	4,894,581	319,286,450
Parks and recreation	350,000,000	14,067,600	388,660	335,543,740
Public transportation	350,000,000	125,400		349,874,600
Television relay and transmission	350,000,000		395,958	349,604,042
Mosquito control	350,000,000			350,000,000
Fire protection	350,000,000			350,000,000
Administrative/management services	50,000,000			50,000,000
Refinancing district debt	700,000,000	64,440,000	110,920,000	524,640,000
Intergovernmental agreements among Centerra Metropolitan Districts Nos. 1-5	500,000,000			500,000,000
Contracts with other political subdivisions	500,000,000			500,000,000
Reimbursement obligations to private entities	400,000,000			400,000,000
Construction management	50,000,000			50,000,000
	<u>\$ 5,350,000,000</u>	<u>\$ 169,000,000</u>	<u>\$ 130,920,000</u>	<u>\$ 5,050,080,000</u>

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 6 – 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 and reduce by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, constructions, or improvement of those assets. As of December 31, 2011, the District had invested in capital assets, net of related debt calculated as follows:

	Governmental Activities
Invested in capital assets, net of related debt:	
Capital assets, net	\$ 33,461,470
Unspent bond proceeds	4,668,464
Bond issuance costs (net of accumulated amortization)	583,707
Current and noncurrent portion of long-term obligations	(55,774,786)
Cost of refunding, net of accumulated amortization	2,893,149
Invested in capital asset, net of related debt	\$ (14,167,996)

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. The District had restricted net assets as of December 31, 2011 as follows:

	Governmental Activities
Restricted net assets:	
Emergencies (see Note 2)	\$ 40,700
Debt service	9,415,525
Capital projects	817,264
Total restricted net assets	\$ 10,273,489

The District's unrestricted net assets as of December 31, 2011 totaled \$(64,138,514) This deficit amount was a result of the District being responsible for the financing and repayment of debt issued for the construction of public improvements which were conveyed to other governmental entities and which assets were removed from the District's financial records.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 7 – FUND BALANCE

The District has adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Funds Type Definitions*. Based on that statement fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of District's Board. The Board is the highest level of decision-making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 7 – FUND BALANCE (CONTINUED)

As of December 31, 2011, fund balances are composed of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid expenses	\$ 12,870	\$ -	\$ -	\$ 12,870
Restricted:				
Emergency reserve	40,700	-	-	40,700
Debt Service	-	9,415,525	-	9,415,525
Capital	-	-	817,264	817,264
Unassigned:	1,115,393	-	-	1,115,393
	<u>\$ 1,168,963</u>	<u>\$ 9,415,525</u>	<u>\$ 817,264</u>	<u>\$ 11,401,752</u>

NOTE 8 – INTERFUND TRANSFERS

The following schedule summarizes the District’s transfers for the year ended December 31, 2008:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Debt Service Fund	\$ -	\$ 115,067
Capital Projects Fund	\$ 111,043,528	\$ -

The transfer of \$115,067 from the Debt Service Fund to the Capital Projects Fund was for the purpose of paying debt issuance costs related to the 2011 Loan Agreement. The transfer of \$111,043,528 from the Capital Projects Fund to the Debt Service Fund was for the purpose of refunding and paying interest on the Series 2008 Variable Rate Refunding and Improvement Revenue Bonds.

NOTE 9 – RELATED PARTY

The Developers of the property which constitutes the District are Centerra Residential, LLC; Centerra Properties West, LLC (CPW); and SMP4 Investments, Inc. (SMP4). The members of the Board of Directors are employees, owners or are otherwise associated with the Developers and have disclosed any potential conflicts of interest in taking action on matters brought before the Board. The District has repaid all amounts owed to the Developers as of December 31, 2011 (see Note 5).

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 10 – 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 August 19, 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 recording 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 grant 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 authorizes the District to provide for the construction or acquisition of certain public improvements.

Funding and Reimbursement Agreement (Capital Costs)

On January 15, 2011, the District entered into that certain Second Amended and Restated Advance and Reimbursement Agreement with SMP4 Investments, Inc., (“SMP4”), which refunded and consolidated all prior agreements and authorized the issuance of two subordinate promissory notes to the Developer in a principal amount not to exceed \$1,500,000 and \$58,193 for Note 1 and Note 2, respectively. Note 1 bears interest at the rate of two percent plus the Federal Reserve Bank Prime Rate, simple interest. Note 2 bears interest at the rate of two percent plus the Federal Reserve Bank Prime Rate, or six percent, whichever is greater, such interest to compound annually. The promissory notes expire on January 15, 2051. The balance due at December 31, 2011 is \$0 (see Note 5).

On January 1, 2010, the District entered into that certain Third Amended and Restated Advance and Reimbursement Agreement with Centerra Properties West, LLC, (“CPW”), which refunded and consolidated all prior agreements and authorized the issuance of subordinate promissory notes to CPW in a principal amount not to exceed \$4,000,000 and to the RSF in a principal amount not to exceed \$6,386,609. The notes bear interest at a rate of two percent plus the Federal Reserve Bank Prime Rate, simple interest. The promissory notes expire on January 1, 2050. The balance due at December 31, 2011 is \$0 (see Note 5).

On May 1, 2009, the District entered into that certain 2009 Advance and Reimbursement Agreement with Centerra Properties West, LLC (“CPW”), pursuant to which CPW agreed to advance funds to the District to fund costs associated with the District’s construction of certain specific public improvements as specified therein. The District issued a subordinate note to CPW dated May 1, 2009, with a maturity date of December 31, 2009, to evidence the District’s repayment obligation. The May 1, 2009 subordinate note was refunded with a subordinate note dated January 1, 2010, with a maturity date of December 31, 2010.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 10 – AGREEMENTS (CONTINUED)

The January 1, 2010 subordinate note was refunded with a subordinate note dated January 1, 2011, in the principal amount not to exceed \$750,000, with a maturity date of December 31, 2011. The January 1, 2011 subordinate note bears interest at the rate of two percent plus the Federal Reserve Bank Prime Rate, or six percent, whichever is greater, such interest to compound annually. The balance due at December 31, 2011 is \$0 (see Note 5).

On February 17, 2011, the District entered into that certain 2011 Advance and Reimbursement Agreement with Centerra Properties West, LLC (“CPW”), pursuant to which CPW agreed to advance funds, in an amount not to exceed \$1,200,000, to the District to fund costs associated with the District’s construction of certain specific public improvements as specified therein. The District issued a subordinate note to CPW dated February 17, 2011 in the principal amount not to exceed \$1,200,000, with a maturity date of December 31, 2011. The subordinate note bears interest at the rate of two percent plus the Federal Reserve Bank Prime Rate, or six percent, whichever is greater, such interest to compound annually. The balance due at December 31, 2011 is \$0 (see Note 5).

Waterline Reimbursement Agreement

On March 15, 2007, the District entered into a Waterline reimbursement agreement with the City of Loveland (City). Under the terms of this agreement the District agrees to reimburse the City for 100% of eligible costs associated with the installation of a sixteen inch (16") waterline to benefit certain properties within the District. The amount due to the City, based on the actual eligible costs, was determined to be \$529,736, spread out equally over five (5) years with payments of \$105,947 plus interest due on June 1 of each year starting in 2007. Interest due is determined by multiplying the balance due by the interest rate of 6%. On May 17, 2007, the District made the first required payment to the City in the amount of \$169,000 (based on initial cost estimates) which was \$31,269 more than the required payment of \$137,731, including interest. This overpayment was subtracted from the balance due. In 2011, the District made the final required payment to the city in the amount of \$78,039 consisting of \$74,679 principal and \$3,360 interest. The balance due at December 31, 2011 is \$0 (see Note 5).

Interest Rate Swaps

On March 20, 2008, the District entered into a swap agreement with RBC for the notional amount of \$112,000,000 (referred to as the 2008 swap). On June 8, 2011, the District amended the 2008 swap with RBC to change payment based on the Securities Industry and Financial Markets Association Swap Index (SIFMA) to LIBOR.

On June 8, 2011, the District entered into a swap agreement with BBVA for the notional amount of \$10,000,000 (referred to as the 2011 swap).

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 10 – AGREEMENTS (CONTINUED)

Objective of the interest rate swaps. The objective of each interest rate swap is to offset the variability of cash flows in the interest payments of the variable-rate debt due to fluctuations in interest rates and to lower its borrowing costs, when compared to against fixed rate bonds at the time of issuance in June 2011.

Terms. The 2008 swap matures on December 1, 2029. The principal amount of the 2011 Loan exceeds the notional amount of the 2008 swap. Under the swap, the District pays the counterparty a fixed payment of 3.46% through December 1, 2029, and receives a variable payment based on the LIBOR Index.

The 2011 swap matures on June 8, 2016. The principal amount of the 2011 Loan exceeds the notional amount of the 2011 swap. Under the swap, the District pays the counterparty a fixed payment of 3.556% and receives a variable payment based on the LIBOR Index.

Fair Value. As of December 31, 2011, the fair market value and change in fair market value are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at December 31, 2011</u>	
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Governmental activities				
Cash flow hedge:				
Pay-fixed interest rate swap	Deferred outflow	\$ 2,561,598	Debt	\$ (7,952,167)
	Deferred outflow	14,519,498	Debt/Derivatives	(14,519,498)

Credit Risk. As of December 31, 2011, the District is not exposed to the credit risk of its counterparties. The 2008 swap and 2011 swap counterparties were rated A+ or higher from Moody's, Standard & Poor's and Fitch, respectively, as of December 31, 2011.

Interest Rate Risk. The 2008 swap and 2011 swap are pay-fixed, receive-variable cash flow hedge that hedges interest rate risk associated with the 2011 loan. The District believes it has significantly reduced interest rate risk attributable to the principal amount being hedged by entering into the interest rate swap.

Termination Risk. The District or the counterparties 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. Termination of the swaps can occur when the swap is in a potentially significant liability position.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 10 – AGREEMENTS (CONTINUED)

Centerra Public Improvement Collection Corporation Reimbursement Agreement

On April 13, 2009, the District entered into that certain Reimbursement Agreement (the “Agreement”) with the Centerra Public Improvement Collection Corporation (the “PIC”), pursuant to which the PIC advanced to the District \$1,145,000, which the District applied to the costs of the Crossroads Interchange Interim Improvements. Pursuant to the Agreement, the District is required to repay the advanced funds not later than January 20, 2029; provided, however, that the District’s obligation to repay the PIC is contingent upon: 1. The Crossroads Interchange Interim Improvements being included within the US 34/Crossroads Corridor Renewal Plan, and 2. The District having funds available to make repayment to the PIC. The Agreement is a multiple fiscal year obligation of the District, and the repayment of funds to the PIC does not accrue any interest. In 2011, the District made repayment in full to the PIC for \$1,145,000.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2011, the District had unexpended construction commitments of approximately \$392,821.

NOTE 12 – 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, 2011. 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.

CENTERRA METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 – 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 debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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 and future levied taxes and fees of the District, up to the amounts specified in the May 2004 election, without regard to any limitations under TABOR.

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

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

CENTERRA METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Service fees - District 2	\$ 282,731	\$ 282,731	\$ 297,108	\$ 14,377
Service fees - District 3	325	325	326	1
Service fees - District 5	14	14	85	71
Net investment and other income	7,969	7,969	8,085	116
URA revenues (O&M)	1,051,038	1,051,038	1,049,000	(2,038)
Total Revenues	<u>1,342,077</u>	<u>1,342,077</u>	<u>1,354,604</u>	<u>12,527</u>
EXPENDITURES				
Accounting & financial management	160,160	160,160	145,326	14,834
Audit	9,800	9,800	9,800	-
Chapungu Park	178,329	178,329	157,677	20,652
Directors' fees	2,500	2,500	2,500	-
District management & admin	144,870	144,870	95,868	49,002
Engineering & other professional services	20,000	20,000	640	19,360
Hardscape maintenance	89,300	89,300	55,799	33,501
Insurance	22,600	22,600	21,146	1,454
Landscape maintenance and repairs	385,810	385,810	332,312	53,498
Legal	108,000	108,000	157,814	(49,814)
Office, dues & other	5,000	5,000	5,884	(884)
Payroll taxes	-	-	1,117	(1,117)
Snow removal and sidewalk sweeping	15,400	15,400	6,516	8,884
Thompson Valley EMS IGA Pmt	-	-	-	-
Tax abatement	-	-	-	-
Utilities	70,000	70,000	72,131	(2,131)
Contingency	122,000	122,000	-	122,000
Total expenditures	<u>1,333,769</u>	<u>1,333,769</u>	<u>1,064,530</u>	<u>269,239</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,308</u>	<u>8,308</u>	<u>290,074</u>	<u>281,766</u>
FUND BALANCES - BEGINNING OF YEAR	<u>477,518</u>	<u>762,446</u>	<u>878,889</u>	<u>116,443</u>
FUND BALANCES - END OF YEAR	<u>\$ 485,826</u>	<u>\$ 770,754</u>	<u>\$ 1,168,963</u>	<u>\$ 398,209</u>

See accompanying Independent Auditor's Report

SUPPLEMENTAL INFORMATION

CENTERRA METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2011

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Service Fees, District 2	\$ 4,980	\$ 7,157	\$ 7,174	\$ 17
Net investment and other income	25,297	6,500	5,140	(1,360)
URA revenues (Debt Service)	8,713,329	8,822,329	8,353,538	(468,791)
PIF Revenues	87,372	87,372	87,372	-
Total revenues	<u>8,830,978</u>	<u>8,923,358</u>	<u>8,453,224</u>	<u>(470,134)</u>
EXPENDITURES				
Debt service				
Paying agent/trustee/banking fees	12,000	5,500	5,500	-
Principal payment	2,000,000	113,470,000	113,470,000	-
Interest expense	4,257,400	5,216,973	4,849,430	367,543
Loan fees	2,234,193	968,837	966,897	1,940
City of Loveland collection fees	87,372	87,372	87,372	-
Contingency	700,000	100,000	-	100,000
Total expenditures	<u>9,290,965</u>	<u>119,848,682</u>	<u>119,379,199</u>	<u>469,483</u>
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(459,987)</u>	<u>(110,925,324)</u>	<u>(110,925,975)</u>	<u>(651)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from other fund	-	111,043,528	111,043,528	-
Transfer to other fund	(78,880)	(115,067)	(115,067)	-
Total other financing sources (uses)	<u>(78,880)</u>	<u>110,928,461</u>	<u>110,928,461</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER				
FINANCING SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER USES	(538,867)	3,137	2,486	651
FUND BALANCES - BEGINNING OF YEAR				
	<u>10,118,708</u>	<u>9,413,039</u>	<u>9,413,039</u>	<u>-</u>
FUND BALANCES - END OF YEAR				
	<u>\$ 9,579,841</u>	<u>\$ 9,416,176</u>	<u>\$ 9,415,525</u>	<u>\$ 651</u>

See the accompanying independent certified public accountants report.

CENTERRA METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net investment and other income	\$ 3,500	\$ 1,000	\$ 586	\$ (414)
PIF revenues	-	1,145,000	1,145,000	-
Reimbursement from other government	396,000	-	-	-
Total revenues	<u>399,500</u>	<u>1,146,000</u>	<u>1,145,586</u>	<u>(414)</u>
EXPENDITURES				
Current				
Debt issue costs	1,541,760	-	-	-
District management	-	4,000	741	3,259
Project management	148,000	144,600	128,845	15,755
Engineering & other professional svcs	20,000	22,250	-	22,250
Reimbursement per Waterline Agreement - Principal	74,679	74,679	74,679	-
Reimbursement per Waterline Agreement - Interest	4,481	3,361	3,360	1
Reimbursement per PIC Agreement	-	1,145,000	1,145,000	-
Repay Developer advance	7,537,120	12,505,601	11,893,112	(612,489)
Repay Developer advance - Interest	-	-	614,936	614,936
Debt issuance	-	1,288,238	1,288,238	-
Capital outlay				
Streets	1,500,000	2,007,600	1,791,094	216,506
Sewer and storm sewer	-	32,364	32,364	-
TV Relay and improvements	-	60,000	-	60,000
Contingency	600,000	100,000	-	100,000
Total expenditures	<u>11,426,040</u>	<u>17,387,693</u>	<u>16,972,369</u>	<u>420,218</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,026,540)</u>	<u>(16,241,693)</u>	<u>(15,826,783)</u>	<u>419,804</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	9,000,000	122,468,665	122,468,665	-
Developer advance	-	24,665	24,665	-
Transfer from other fund	78,880	115,067	115,067	-
Transfer to other fund	-	(111,043,528)	(111,043,528)	-
Total other financing sources (uses)	<u>9,078,880</u>	<u>11,564,869</u>	<u>11,564,869</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,947,660)</u>	<u>(4,676,824)</u>	<u>(4,261,914)</u>	<u>419,804</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,126,021</u>	<u>5,079,177</u>	<u>5,079,178</u>	<u>1</u>
FUND BALANCES - END OF YEAR	<u>\$ 178,361</u>	<u>\$ 402,353</u>	<u>\$ 817,264</u>	<u>\$ 419,805</u>

See the accompanying independent certified public accountants report.

**CENTERRA METROPOLITAN DISTRICT NO. 1
 FIVE YEAR SUMMARY OF CENTERRA METROPOLITAN DISTRICT NO.2'S
 ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED
 December 31, 2011**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy General Fund	Prior Year Assessed Valuation for Current Year Property Tax Levy Debt Service Fund	Mills Levied for Contractual Obligation General Fund	Mills Levied for Contractual Obligation Debt Service Fund	Total Property Taxes		Percent Collected to Levied
					Levied	Collected	
2007	\$ 398,960	\$ -	35.000	0.000	\$ 13,964	\$ 13,963	100.0%
2008	\$ 422,861	\$ -	52.600	0.000	\$ 22,242	\$ 22,068	99.2%
2009	\$ 1,127,183	\$ 1,028,350	42.600	6.655	\$ 54,862	\$ 54,559	99.4%
2010	\$ 1,138,344	\$ 876,010	42.600	6.655	\$ 54,323	\$ 71,333	131.3%
2011	\$ 1,150,665	\$ 763,570 / 8,522	42.600	6.655 / 35.000	\$ 54,398	\$ 56,737	104.3%
Estimated for calendar year ending December 31, 2012	\$ 1,088,191	\$ 653,010 / 31,762	42.600	6.655 / 35.000	\$ 51,814		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.