



Participation in the Chatfield Reservoir Reallocation Project

a CWCB Loan Feasibility Study,
prepared by the Castle Pines North Metropolitan District

FEASIBILITY STUDY APPROVAL

Pursuant to Colorado Revised Statutes 37-60-121 & 122, and in accordance with policies adopted by the Board, the CWCB staff has determined this Feasibility Study meets all applicable requirements for approval.

March 2014

Signed

Date

5/9/2014

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INTRODUCTION

In 1996, on behalf of fifteen water providers, the Colorado Water Conservation Board (CWCB) formally requested the U.S. Army Corps of Engineers (USACE) consider increasing water supply storage in Chatfield Reservoir (Chatfield) by reallocating existing flood storage. As a result, the federal Feasibility Report and Environmental Impact Statement (FR/EIS) process was initiated in 1999. The FR/EIS process is evaluating the environmental, social, and economic effects of the proposed reallocation now referred to as the Chatfield Reservoir Reallocation Project (Project). The USACE is expected to issue the final FR/EIS by April 2014.

The Castle Pines North Metropolitan District (District) is applying for a CWCB loan to finance a portion of its participation in the Project. The overall Project is estimated to cost \$147 million (near-term cost only, does not include long-term operation and maintenance costs) which represents an approximate \$6.4 million share to the District. The District is requesting a \$5.8 million loan to assist with its funding of the Project.

CWCB FEASIBILITY STUDY AND SUPPORTING DOCUMENTATION

The CWCB feasibility study was prepared by Jim Nikkel, P.E., District Manager, with support from Peggy Dowswell, CPA, District Finance Director and Joan Fritsche, Esq., of Collins Cockrel & Cole.

The loan feasibility study includes the CWCB Loan Application, a historic and financial background on the District, a summary of District water rights, an estimate of probable cost, and a project summary derived from two studies: the FR/EIS and a report titled "*Chatfield Reservoir Reallocation Project Fish, Wildlife and Recreation Mitigation Plan*." The most recent draft of the report, known as the Mitigation Plan, was prepared by the Chatfield Reservoir Reallocation Project Participants in response to the requirement of Colorado Revised Statute C.R.S. §37-60-122.2 (see Appendix B for a copy of the statute). The Mitigation Plan was formally submitted for review and approval to the Colorado Parks and Wildlife Commission (CPW) in November 2013, and subsequently approved by the CWCB.

The Mitigation Plan identifies proposed actions that the Project participants will implement to mitigate unavoidable adverse impacts the Project will have on fish, wildlife, and recreation facilities. The revised statute does not require that a mitigation plan for recreational impacts be approved by the CPW; however, the plan addresses all concerns raised by the CPW, and

significant efforts are proposed to mitigate unavoidable impacts to recreational facilities and amenities.

CHATFIELD RESERVOIR REALLOCATION PROJECT

General Overview

Chatfield Reservoir, completed by the USACE in 1975, was constructed to provide flood protection for the Denver metropolitan area following a disastrous South Platte River flood in 1965. Chatfield is a Platte River on-channel reservoir located at the confluence of the South Platte River and Plum Creek, approximately fourteen miles south of Denver. The reservoir is owned and operated by the USACE and has a maximum capacity of 350,653 acre-feet (AF). A Project Location Map is included in Appendix A.

The USACE designates storage in Chatfield in four distinct pools. Each pool is assigned a specific pool elevation in feet above mean sea level (m.s.l.), limiting the use of the water to a defined purpose. Currently 27,405 AF of storage is designated as conservation/multi-purpose pool storage, with a full pool water surface elevation of 5,432 feet above m.s.l. The maximum surcharge and flood control pools combine for 323,248 AF, and the inactive/sediment pool comprises 23 AF.

The Project proposes reallocating 20,600 AF of capacity in the flood control storage pool to the conservation/multi-purpose pool, increasing on-channel municipal and agricultural storage space in the upper reaches of the South Platte basin. It is projected that the average annual yield derived from the reallocation will result in approximately 8,500 AF of renewable surface water supplies that will benefit users along the South Platte River from Park County to Weld County. The reallocation will produce an infrequent twelve-foot maximum rise in the conservation/multi-purpose pool elevation, up to 5,444 feet. The USACE has determined that the reduction in flood storage capacity will not compromise the flood control functions of Chatfield.

Denver Water is the only water provider currently storing water in Chatfield's conservation/multi-purpose pool. Per a 1979 agreement, use of the pool by Denver Water is subject to certain conditions for maintaining water levels for recreation and conservation. Releases from Chatfield are administered by the State Engineer's Office, based on Colorado water law and the demand for water supply. As part of the 1979 agreement, Denver Water is required to minimize water level fluctuations during the recreation season (Memorial Day

through Labor Day). When the pool elevation is in excess of 5,432 feet, the USACE is responsible for the release of water from the flood control pool.

The Project scope of work covers participation in the FR/EIS; navigating the regulatory process; and planning, design and construction of mitigation measures for fisheries, aquatic, wetland, riparian, recreational and wildlife habitat impacted by the twelve foot increase in pool elevation. A benefit to the District is that the physical infrastructure systems required for storing, discharging, diverting and putting the water to beneficial use are already in place. Infrastructure improvements, if required for individual participants to utilize their share of water, are independent of the overall Project and are not included in the Project scope or estimated Project cost.

Project Participation

The original number of fifteen participants has been reduced to eleven since the Project was initiated in 1996. The District's interest represents 4.88% in the Project. The remaining levels of participation vary from 31% (Centennial Water & Sanitation District) down to 0.19% (Denver Botanic Gardens at Chatfield). Each participant will be responsible for funding their pro-rata share of the overall Project cost and will receive a proportionate share in the additional storage volume. The annual yield received per participant will be dependent on the individual water rights of each participant. Appendix B contains a list of the eleven current participants and their respective financial commitment in the Project.

The Project participants have consulted and conferred with a broad range of federal, state and local jurisdictions and environmental stakeholders to solicit input on appropriate mitigation of potentially adverse impacts associated with the Project. Public participation efforts included notices and public meetings, in compliance with National Environmental Policy Act (NEPA) requirements, during the release and review of the draft FR/EIS. Meetings with stakeholder entities started in 1994 and have continued with regularly scheduled meetings hosted by the CWCB. A list of Project stakeholders is provided in Appendix B.

Alternatives

The FR/EIS used the CWCB's Statewide Water Supply Initiative (SWSI) and other relevant planning studies to identify storage alternatives. A total of 37 Project concepts were initially evaluated before being narrowed to four specific Project alternatives. The development of alternatives and the screening process are described in detail in Chapter 2 of the FR/EIS. The FR/EIS extensively evaluated the environmental, social, and economic impacts of the four prospective alternatives identified below:

Alternative #1 – No Action: Operation of Chatfield Reservoir would remain the same and water providers would use a combination of Penley Reservoir (off channel storage near Chatfield Reservoir) and gravel pit storage as a means to meet their future needs.

Alternative #2 – Least Cost Alternative to Chatfield Reservoir storage reallocation: Upstream users would continue to rely on non-tributary groundwater through the 50-year study period while downstream providers would be served by the development of gravel pits.

Alternative #3 – Reallocation to allow an additional 20,600 acre-feet of Water Supply Storage: USACE reallocates 20,600 AF of designated flood storage capacity in Chatfield Reservoir to conservation/multi-purpose storage.

Alternative #4 – Reallocation to allow an additional 7,700 acre-feet of Water Supply Storage: USACE reallocates 7,700 AF of designated flood storage capacity in Chatfield Reservoir to conservation/multi-purpose storage; non-tributary groundwater and gravel pits are used for the remaining yield.

The Project participants' preferred alternative is Alternative # 3 – Reallocation to allow an additional 20,600 acre-feet of Water Supply Storage, redefined as the Chatfield Reservoir Reallocation Project. It is desirable based on its ability to decrease the projected water deficit in the South Platte basin by utilizing an existing structure to enhance the raw water supply of multiple providers without drying up agricultural lands. The alternative is anchored around the conversion of flood storage to conservation/multi-purpose storage. Additional components of the project include the design and implementation of mitigation measures to address the impacts resulting from the increased and fluctuating pool elevation. The following list highlights some of the proposed mitigation measures:

- Compensatory Mitigation Plan (CMP), addressing wetlands, Preble's mouse and bird habitat
- Aquatic mitigation within Chatfield State Park
- Tree management plan
- Stream enhancement downstream of Chatfield Reservoir
- Stream enhancement upstream of Chatfield Reservoir
- Recreational facility mitigation within Chatfield State Park
- CPW revenue mitigation (Financial Plan)
- Shoreline stabilization

The table in Appendix C provides an expanded list of tasks associated with the mitigation measures.

Regulatory Process

The Project has undergone significant regulatory scrutiny at federal, state and local levels. At the federal level the USACE performed extensive feasibility and environmental studies pursuant to its regulatory and planning requirements. The culmination of the process is a joint Feasibility Report/Environmental Impact Statement that will serve as the basis for issuance of the Department of the Army Record of Decision (ROD). Following the ROD, the USACE must execute a Water Supply Agreement that permanently conveys the reallocation, granting participants the authority to store water in the conservation/multi-purpose pool. The USACE and Environmental Protection Agency (EPA) have agreed on the appropriate regulatory process.

The following is a summary of regulatory approvals required to implement the Project:

Federal – Compliance with the USACE regulations on reallocating storage space in a USACE facility; compliance with NEPA; compliance with Section 404 of the Clean Water Act (CWA) for dredge and fill activities in designated water of the U.S. associated with the recreational facilities modification plan and other mitigation incident to the reallocation; compliance with Section 7 of the Endangered Species Act (ESA) related to impacts to Preble’s mouse and its designated critical habitat; and U.S. Forest Service (USFS) approval for work on USFS land along Sugar Creek.

State – Approval by CPW and the CWCB of the Fish, Wildlife and Recreation Mitigation Plan pursuant to C.R.S. §37-60-122.2; Colorado Department of Public Health and Environment (CDPHE) construction permits for air quality, water quality certification for any discharge-related mitigation activities, and permits for stormwater and construction dewatering.

Local – Douglas County permits for construction work along Sugar Creek and at Chatfield Reservoir; and Jefferson County permits for construction work at Chatfield Reservoir.

Estimate of Probable Cost

The estimated total Project cost is approximately \$147 million and includes the reallocation of storage, engineering design and construction of state and federal mitigation measures, and a USACE storage fee based on the pro-rata cost of constructing Chatfield.

Table 1 provides a summarization of the Project cost. A more detailed list of itemized mitigation expenses is included in Appendix C.

TABLE 1: Estimated Total Project Cost

Mitigation Measures Required by the USACE	
Compensatory Mitigation Plan (CMP)	\$74,800,000
Recreational Facilities Modification Plan	\$30,100,000
Marina Plan	\$15,700,000
Tree Management Plan	\$1,600,000
Water Quality Monitoring and Modeling	\$1,300,000
Sub Total	\$123,500,000
CPW Related Mitigation Activities	
Plum Creek Restoration Plan	\$6,258,600
Financial Mitigation Plan	\$1,000,000
Stream Enhancement Downstream of Chatfield Reservoir	\$265,000
Stream Enhancement Upstream of Chatfield Reservoir	\$369,600
CPW Resident Engineer	\$225,000
Shoreline Stabilization Plan	\$716,100
Marketing Plan	\$30,000
Sub Total	\$8,864,300
USACE Storage Cost	
	\$14,500,000
Project Total	\$146,864,300

To date, the District has contributed roughly \$164,000 towards engineering and consulting fees related to independent studies. The fees expended to date, by the District or other Project participants, are not included in the total Project cost estimate and the District is not requesting reimbursement consideration on those expenses.

An explanation of existing infrastructure the District will utilize for conveyance of Chatfield water is provided in the Water Rights section of this study and an illustration is provided in Appendix A. The District does not require any infrastructure improvements beyond the defined Project scope of work.

Project Schedule

The general Project schedule is as follows:

Record of Decision signed	2014
Water Supply Agreement execution	2014
Recreational modifications completed	2017
On-site environmental mitigations completed	2017

Storage initiated	2017
Stream enhancements completed	2019
Off-site environmental mitigations completed	2024

The District is requesting loan funds be available on or around October, 2014.

CASTLE PINES NORTH METROPOLITAN DISTRICT

District Background

The Castle Pines North Metropolitan District is a Colorado Title 32 Special District, operating its water and wastewater systems through Enterprise Funds. The District was organized by a court order on June 11, 1984, following an election by the property owners of the District and is governed by an elected five member Board of Directors. The District was established to provide water service, wastewater service, and parks and open space maintenance services for the benefit of the residents and users of the facilities of the District. The District serves approximately 3,000 residential and commercial establishments in the Castle Pines North area.

The District's water facilities include a 5.4 MGD groundwater treatment plant, ownership in Reuter-Hess Reservoir, shares in several irrigation ditches, pump stations, and storage tanks, 12 non-tributary groundwater wells, and a distribution network that includes over 45 miles of pipeline.

For thirty years, the District has treated and distributed potable water to meet the growing demand of the community. The District service area is approximately 85% developed from a demand perspective, with a projected average annual demand of 1,600 AF at full build-out. As the community has grown and the number of customers has increased, the average demand has remained relatively stable due to a conservation program, initiated by the district in 2003 in response to the 2002 drought.

The District's Water Conservation Plan was approved by the CWCB in August of 2006. The District evaluates its conservation effort on an annual basis to ensure the programs offered are cost effective and in compliance with current state regulations. Conservation efforts, including the development of water budget accounting programs, have been successful in educating customers on the importance of water conservation. Over the last ten years the average annual household water usage has declined by 15%.

Water Rights

The District, located in Colorado Water District 8, maintains a water rights portfolio comprised of surface water and non-tributary ground water rights. Included in its surface water portfolio as storage rights in two reservoirs, with combined volume of 2,205 AF, shares in several irrigation ditches, and non-tributary water from the Hock hocking mine. The non-tributary groundwater rights include 12 active wells throughout the District that are supplemented by surface water. A summary of the District's water rights is provided in Appendix D.

In anticipation of this Project, the District has had approved by the Colorado Water Court, Case No. 84CW308 allowing for the fill and re-fill of 500 AF in Chatfield, and Case No. 09CW29 allowing for the exchange of water from rights on the Lower South Platt River into Chatfield.

Financial Analysis and Contracting

The District operates its water services through an Enterprise Fund. The District operates two other services – wastewater and storm water through separate individual Enterprise Funds. The primary source of water revenue is from the collection of water use fees, base charges, capital improvement fees and water connect fees. The Board determines rate requirements based on a Water Rate Study, most recently performed in late 2012 and updated in late 2013, and approves rates annually at its December board meeting. Water use fees, base charges and capital improvement fees are set at a rate sufficient to fund all operational expenses, debt and capital improvement projects.

The District has no Water Enterprise debt at this time. The District's 2006 General Obligation is rated AA by Standard & Poor's and A1 by Moody's. Maintaining high credit ratings is a core district value and the Board as a priority allocates the resources to maintain these strong credit ratings. The District's cashflow contained in Appendix A clearly shows the District's capacity to repay this CWCB loan.

Over the past five years (2009-2013) operating revenues for the Water Enterprise Fund have averaged over \$2.6 million and non-operating revenues (capital improvement and connect fees) averaged over \$1.45 million, while operating expenses, before depreciation, have averaged approximately \$2.2 million. The District has been able to construct its capital assets and perform major repairs and replacements with cash reserves and transfers in from the General Fund.

Copies of the financial audits for 2011 and 2012 and additional supporting financial documentation are provided in Appendix E.

The Castle Pines North Metropolitan District is the proposed contracting entity that will execute the CWCB contract. As security for the loan the District is offering a pledge of Water Enterprise revenues. The District will segregate Pledged Revenues each year to meet the annual payment and will satisfy the CWCB reserve account requirement through deposits to a segregated fund. Pending loan approval, the District will provide an Attorney Opinion Letter, Proof of Insurance, Federal W-9 Form and electronic fund transfer (ETF) information in accordance with CWCB guidelines.

In order to receive loan funds the District will submit pay requests in accordance with CWCB guidelines. The District will be funding its 10% initially, and provide proof of those payments, and then will be requesting the CWCB disburse loan funds at 100% of invoices for eligible Project related expenses, up to the loan amount approved by the CWCB Board of Directors.

APPENDIX A – MAPS & EXHIBITS

A1 – Location Map

A2 – District Service Boundary

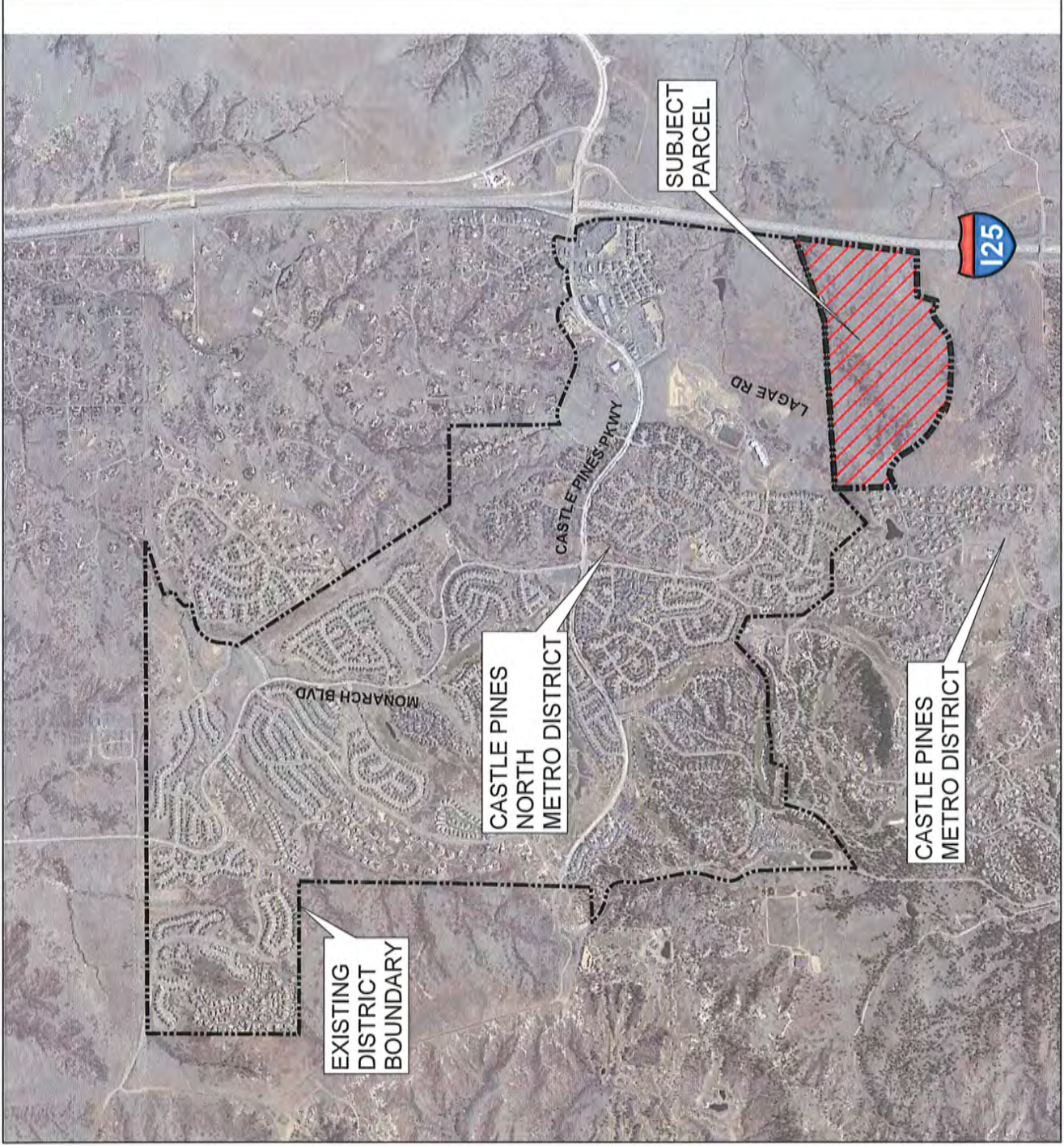
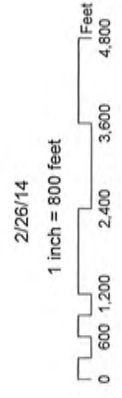


PROJECT LOCATION MAP

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CASTLE PINES NORTH METRO DISTRICT

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APPENDIX B – PROJECT PARTICIPANTS & STAKEHOLDERS

B1 – Project Participation Table

B2 – Project Stakeholders List

B3 – Colorado Revised Statute C.R.S. §37-60-122.2

Chatfield Reallocation Project				3/3/14
List of Participants				
			Storage	Percent
			Amount, AF	of Total
1	Central Colo Water Conservancy Dist.		2,849	13.83%
2	Colorado Water Conservation Board*		5,585	27.11%
3	Colorado Parks and Wildlife		1,000	4.85%
4	Denver Botanic Gardens at Chatfield		40	0.19%
5	Centennial Water and Sanitation Dist.		6,435	31.24%
6	Castle Rock		1,013	4.92%
7	Castle Pines North Metro Dist.		942	4.57%
8	Castle Pines Metro Dist.		786	3.82%
9	South Metro Water Supply Authority		1,419	6.89%
10	Mount Carbon Metro Dist		400	1.94%
11	Center of Colorado WCD		131	0.64%
			20,600	
* - Pending				

CHATFIELD RESERVOIR REALLOCATION PROJECT STAKEHOLDERS

FEDERAL: United States Army Corps of Engineers (USACE)
United States Environmental Protection Agency (USEPA)
United States Forest Service (USFS)
United States Fish and Wildlife Service (USFWS)

STATE: Colorado Department of Natural Resources (DNR)
Colorado Water Conservation Board (CWCB)
Colorado Parks and Wildlife Commission (CPW)
Colorado Division of Water Resources (CDWR)
Colorado Department of Public Health and Environment (CDPHE)

LOCAL: (In addition to the Project Participants) Denver Water, City of Littleton, South Suburban Parks and Recreation District, City and County of Denver, Douglas County Commissioners, Jefferson County Commissioners, Weld County Commissioners, Metro Wastewater Reclamation District, Chatfield Watershed Authority, and Urban Drainage Flood Control District; and

NON-GOVERNMENTAL

ORGANIZATIONS: The Greenway Foundation, Audubon Society of Greater Denver, Colorado Environmental Coalition, Sierra Club, Western Resources Advocates, Trout Unlimited, Chatfield Basin Conservation Network, and the Nature Conservancy

37-60-122.2. Fish and wildlife resources - legislative declaration - fish and wildlife resources fund - authorization.

(1) (a) The general assembly hereby recognizes the responsibility of the state for fish and wildlife resources found in and around state waters which are affected by the construction, operation, or maintenance of water diversion, delivery, or storage facilities. The general assembly hereby declares that such fish and wildlife resources are a matter of statewide concern and that impacts on such resources should be mitigated by the project applicants in a reasonable manner. It is the intent of the general assembly that fish and wildlife resources that are affected by the construction, operation, or maintenance of water diversion, delivery, or storage facilities should be mitigated to the extent, and in a manner, that is economically reasonable and maintains a balance between the development of the state's water resources and the protection of the state's fish and wildlife resources.

(b) Except as provided in this paragraph (b), the applicant for any water diversion, delivery, or storage facility which requires an application for a permit, license, or other approval from the United States shall inform the Colorado water conservation board, wildlife commission, and division of wildlife of its application and submit a mitigation proposal pursuant to this section. Exempted from such requirement are the Animas-La Plata project, the Two Forks dam and reservoir project, and the Homestake water project for which definite plan reports and final environmental impact statements have been approved or which are awaiting approval of the same, applicants for site specific dredge and fill permits for operations not requiring construction of a reservoir, and applicants for section 404 federal nationwide permits. If an applicant that is subject to the provisions of this section and the commission agree upon a mitigation plan for the facility, the commission shall forward such agreement to the Colorado water conservation board, and the board shall adopt such agreement at its next meeting as the official state position on the mitigation actions required of the applicant. In all cases the commission shall proceed expeditiously and, no later than sixty days from the applicant's notice, unless extended in writing by the applicant, make its evaluation regarding the probable impact of the proposed facility on fish and wildlife resources and their habitat and to make its recommendation regarding such reasonable mitigation actions as may be needed.

(c) The commission's evaluation and proposed mitigation recommendation shall be transmitted to the Colorado water conservation board. The board within sixty days, unless extended in writing by the applicant, shall either affirm the mitigation recommendation of the commission as the official state position or shall make modifications or additions thereto supported by a memorandum that sets out the basis for any changes made. Whenever modifications or additions are made by the board in the commission's mitigation recommendation, the governor, within sixty days, shall affirm or modify the mitigation recommendation which shall then be the official state position with respect to mitigation. The official state position, established pursuant to this subsection (1) shall be communicated to each federal, state, or other governmental agency from which the applicant must obtain a permit, license, or other approval.

(2) (a) Moneys transferred to the fish and wildlife resources fund pursuant to the provisions of section 37-60-121 (6) are hereby continuously appropriated to the Colorado water conservation board for the purpose of making grants pursuant to this subsection (2) and for offsetting the direct and indirect costs of the board for administering the grants. The interest earned from the investment of the moneys in the fund shall be credited to the fund.

(b) To the extent that the cost of implementing the mitigation recommendation made pursuant to subsection (1) of this section exceeds five percent of the costs of a water diversion, delivery, or storage facility, the board shall, upon the application of the applicant, make a mitigation grant to the applicant. The amount of the grant shall be sufficient to pay for the mitigation recommendation as determined by this section to the extent required above the applicant's five percent share. Any additional enhancement shall be at the discretion and within the means of the board. Under no circumstance shall the total amount of the grant exceed five percent of the construction costs of the project, or be disbursed in installments that exceed seventy percent of the amount of the grant during any fiscal year. Any mitigation cost in excess of ten percent of the construction costs of a project shall be borne by the applicant.

(c) An applicant may apply for an enhancement grant by submitting to the commission and the board an enhancement proposal for enhancing fish and wildlife resources over and above the levels existing without such facilities. The commission shall submit its recommendations on the proposal to the board for its consideration. The board, with the concurrence of the commission, may award a grant for fish and wildlife enhancement. Any such enhancement grant will be shared equally by the Colorado water conservation board's fish and wildlife resources fund and the division of wildlife's wildlife cash funds and other funds available to the division.

(d) For the purpose of this subsection (2), construction costs means the best estimate of the physical construction costs as fixed by the Colorado water conservation board as of the date of the grant application. Costs should be limited to design, engineering and physical construction and will not include the costs of planning, financing, and environmental documentation, mitigation costs, legal expenses, site acquisition or water rights.

(e) Species recovery grants from the fish and wildlife resources fund may be made for the purpose of responding to needs of declining native species and to those species protected under the federal "Endangered Species Act of 1973", 16 U.S.C. sec. 1531, et seq., as amended, in a manner that will carry out the state water policy.

(f) (Deleted by amendment, L. 2001, p. 692, § 28, effective May 30, 2001.)

(3) Decisions relating to the official state mitigation position made pursuant to paragraph (c) of subsection (1) of this section shall not be subject to judicial review.

(4) The board shall distribute mitigation and enhancement grants reasonably and equitably among water basins toward the end that those projects sponsored by beneficiaries east of the continental divide receive fifty percent of the money granted and those projects sponsored by beneficiaries west of the continental divide receive fifty percent of the money granted under this section.

(5) The general assembly hereby recognizes the role instream flows and river restoration projects play in mitigating the effects of the construction, operation, and maintenance of water diversion, delivery, and storage facilities. Therefore, the Colorado water conservation board and the operators of existing water diversion, delivery, or storage facilities projects are hereby authorized to apply directly to the board for moneys for projects to carry out the purposes of this section. The board is authorized to grant such moneys if it finds that such projects will further the purposes of this section.

Source: **L. 87:** Entire section added, p. 1297, § 5, effective July 13. **L. 97:** (1)(a) and (2)(a) amended and (2)(e) added, p. 1600, § 1, effective June 4. **L. 98:** (2)(f) added, p. 1004, § 5, effective May 27. **L. 99:** (2)(a) amended, p. 628, § 36, effective August 4. **L. 2001:** (2)(a), (2)(c), (2)(e), and (2)(f) amended, p. 692, § 28, effective May 30. **L. 2002:** (5) added, p. 456, § 28, effective May 23.

**APPENDIX C – PROJECT SUMMARY TABLE: FISH,
WILDLIFE and RECREATIONAL MITIGATION MEASURES**

Table 1: Chatfield Reallocation Project Fish, Wildlife and Recreation Mitigation Plan (FWRMP)

Proposed Mitigation for Proposed Action						
RESOURCE	IMPACT	MITIGATIONS	SECTION OF FWRMP WHERE DISCUSSED	ESTIMATED COST		
WILDLIFE RESOURCES						
Within Chatfield State Park						
In-Reservoir Aquatics						
Fish - Walleye	Disruption of Walleye Spawn period March 1 - April 15	1) Participants commit to ensure releases do not exceed 420 cfs during March 1 - April 15 period, understanding that critical time is March 15-30. 2) Regular coordination meetings between Participants and CPW to forecast upcoming operations - close coordination to minimize adverse impact from releases.	4.1.3(B)(1)			
Fish - Smallmouth Bass	Disruption of Smallmouth Bass spawn period June 1 - June 30	Mitigation dealt with in operations agreements - Participants commit to limit releases May 1-July 15 water decline will not be greater than 8000 AFT, July 16-Aug 31 water level decline not greater than 4000 AFT, May 1-Aug 31 collective daily discharge shall not exceed 420cfs	4.1.3(B)(2)			
Water Quality	Increase in phosphate and ammonia loading; Decreased Dissolved Oxygen; Increased mercury methylation - from anoxic or increased dissolved oxygen in the reservoir	1) Participants agree to water quality monitoring and modeling program in coordination with Chatfield Watershed Authority. 2) Wetland creation and habitat improvements on Plum Creek in the CMP. 3) Plum Creek riparian restoration.	4.4.1; 4.5; 4.3.2	\$1,300,000 (est.) for water quality monitoring and modeling. \$6,258,600 for Plum Creek restoration		
Terrestrial wildlife						
Preble's Mouse - Plum Creek Critical Habitat	75 acres of critical habitat/ 65 EFU's	1) From CMP: Onsite: 6 acres / 3 EFUs habitat creation. 2) From CMP: Offsite: unknown acres private land protection and enhancement / 62 EFU's needed.	4.5	\$74,800,000 for CMP		
Preble's Mouse - South Platte Critical Habitat	80 acres/ 2.8 miles	1) From CMP: Onsite: 17 acres habitat creation; 2) Offsite: 73 acres private land protection and enhancement. Chatfield Res Mitigation Company will coordinate w CPW in the development of this process; 3) 4.5 miles and 381 acres of Sugar Creek improvements	4.5			
Preble's Mouse - Non Critical Habitat	298 acres / 210 EFUs	1) From CMP: Onsite: 111 acres of habitat creation / 43 EFUs. 2) From CMP: Offsite: unknown acres private land protection and enhancement / 167 EFU's needed	4.5			
Other terrestrial wildlife and Birds	586 acres (inundation zone)/ 377 EFUs	1) From CMP: Onsite: 165 acres habitat creation and enhancement / 9 Bird EFU's. 2) Plum Creek Restoration Plan; 3) Tree mitigation plan will address impacts as well. 4) From CMP: Offsite: unknown acres / 368 EFU's needed.	4.5; 4.3.2			
Amphibians/ Reptiles	Grouped into Prebles/wetlands/terrestrial	Mitigation actions covered under Prebles/wetlands/terrestrial resources	4.5			
Erosion of land area /habitat	Sediment erosion - due to new storage and water fluctuation	1) Bank stabilization / Erosion control/ Plum Creek erosion and stream erosion	4.3.4; 4.3.2	\$716,100 for shoreline stabilization plan		
CMP						
Mature Cottonwoods and other cottonwoods	42.5 acres	1) 13 acres - new cottonwood generation on-site (in CMP) . 2) 22.5 acres - protection of existing off-site habitat (in CMP). 3) 10 acres - new cottonwood generation off-site (in CMP). 4) Recreation modification plan will mitigate for additional cottonwoods. 5) Tree management plan . 6) Res operations plan - water level in summer.	4.5.3; 5.1.1; 4.5.5; 4.1.3.3	\$1,600,000 for Tree Management Plan		
Wetlands	up to 159 acres / 123 EFU's	1) In CMP: Onsite: 47 acres / 30 EFUs. 2) In CMP: Offsite: Unknown acres / 99 EFU's	4.5			

RESOURCE	IMPACT	MITIGATIONS	SECTION OF FWRMP WHERE DISCUSSED	ESTIMATED COST
Invasive Species/ Weeds	Increased Invasives	1) BMPs to control spread (in CMP). 2) Monitoring and treatment of noxious weeds in project area (greater than 400ft2) (in CMP). 3) Weed monitoring and weed control for 5 years in revegetation / mitigation sites (in CMP and AMP). 4) Weed control in fluctuation zone is ongoing obligation (in CMP).	4.3.3	
DOWNSTREAM OF CHATFIELD STATE PARK				
Aquatic Resources				
Downstream aquatic habitat	Decreased streamflow impact on aquatic habitat; Increased lowflows / zero flow days	1) 0.5 mi of stream habitat improvement (Chatfield Dam to Marcy Gulch), potential use of CPW water rights to create an environmental pool to mitigate low flow days. 2) Best efforts to target releases to limit zero flow days and mitigate with environmental pool. 3) Development of environmental pool for target releases (first goal).	4.2.1.2; 4.1.3.3(D)	\$265,000 for .5 mile stream enhancement
Aquatic Habitat - water quality	Increase E.Coli from reduced flows; Increase temperature from reduced flows	1) Water quality monitoring program below dam. 2) Best efforts to target releases to limit zero flow days (in operations plan add citation). 3) Development of Environmental Pool for target releases.	4.4.2; 4.1.3.3(D)	
Chatfield State Fish Unit (Pete will rewrite this row)	Decreased flows	Agree not to exercise rights senior to the hatchery if would cause curtailment of SFU rights (only if historic flows would have passed by SFU).	4.1.3.3(A); 4.2.3	
	Increase in zero flow days	Development of environmental pool	4.2.1.2	
UPSTREAM OF CHATFIELD STATE PARK				
Aquatic habitat	Inundation of upstream fish habitat - Permanent habitat conversion from sediment deposition; Loss of stream channel for native fish - from inundation impacts on Plum Creek	1) Fund habitat improvement for 0.7 miles upstream.. 2) Plum Creek Restoration plan. 3) Wetlands improvements in CMP - might mitigate intermittent stream mileage. 4) Sugar Creek Improvements.	4.2.1.1; 4.5.3; 4.3.2	\$369,600 for .7 mile stream enhancement
RECREATIONAL RESOURCES WITHIN CHATFIELD STATE PARK				
Facilities and Recreational Use	Loss of facilities due to inundation.	1) RMP details mitigation measures for facilities and recreational uses - includes contingency approach that gives the plan flexibility. 2) New temporary CPW engineering employee hired during design and construction of recreational facilities	5.1.1; 5.1.3	\$30,100,000 for recreational facilities modification plan, \$225,000 (est.) for temporary resident engineer
	Marina - unusable due to inundation	Chatfield Marina Coordination Committee (CMCC) working on separate mitigation plan for the marina.	5.1.2	\$15,700,000
	Loss of wildlife viewing and shade	1) CMP & Tree Management Plans detail mitigation for wildlife viewing and shade - Plum Creek restoration (if approved) would address access to viewing opportunities. 2) 13 acres of on-site mitigation (for mature cottonwoods). 3) 32.5 acres of offsite mitigation. 4) Tree management plan modified to leave trees down to \$432 and use of adaptive management to remove dead or dying trees within the fluctuation zone.	4.5.3; 4.5.5; 4.3.2	
	Facility vulnerability to future flooding	Could be addressed in the design phase to raise the roads by swim beach, balloon area and Deer Creek - to make roads still able to handle 10 year floods	5.1.1	
	Quality of Recreational Experiences	1) Restrict releases to 8,000 ac/ft total from May 1 - July 15th and 12,000 total to August 31st. 2) Fluctuation zone mitigations that includes: vegetation and weed control, new cottonwood regeneration along shoreline and facilities, shoreline stabilization plan, plum creek improvements.	4.1.3; 4.3.3; 4.5.3; 4.3.4; 4.3.2	
	Increased Boating Hazards	Funding of contract labor and equipment for hazard removal, signing, operational impacts due to increased inundation and fluctuations. Operational issues will be covered in the financial mitigation plan.	5.2	

RESOURCE	IMPACT	MITIGATIONS	SECTION OF FWRMP WHERE DISCUSSED	ESTIMATED COST
	Water Quality - raised elevation causes erosion which will affect access below campground	1) Monitoring and modeling of water quality. 2) Plum Creek restoration plan	4.4.1; 4.3.2	
	Public Understanding	1) PP have agreed to a marketing plan to be implemented prior to construction and continuing after construction is complete - part of financial mitigation plan, when approved.	5.2	
Stream fishing	Reduced Recreational Opportunities - reduced fishing from additional zero or low flow days	1) Establish an environmental pool to mitigate low flow days - use of hatchery, downstream uses. 2) Mitigation of 0.5 mi of stream habitat improvement 3) Operations plan language of good faith efforts to strategic releases.	4.2.1.2; 4.1.3.3(D)	
Stream fishing	Reduced Recreational Opportunities - reduced fishing from intermittent inundation	1) 0.7 mi of stream habitat improvements. 2) Sugar Creek improvements	4.2.1.1; 4.5.3	
Revenue and Operating Expenses				
Park Revenue	Decreased revenues during construction and post construction	1) Financial Mitigation plan. 2) WP to cover lost revenue	5.2	\$1,000,000 (est.) for financial plan
Park Operating	Increased operating expenses	WP to cover increased operating costs attributable to project	5.2	
Estimated Cost Totals				
Costs for mitigations required by the USACE				\$123,500,000
Additional costs for FWRMP mitigations				\$8,864,300
Total Mitigation Costs				\$132,364,300

APPENDIX D – WATER RIGHTS PORTFOLIO SUMMARY

APPENDIX D
WATER RIGHTS PORTFOLIO SUMMARY

Summary of Castle Pines North Metro District Water Rights to be Stored in Chatfield

- Reusable return flows from the use of CPNMD's Denver Basin ground water rights.
- Water derived from the exercise of junior water rights appropriated in 2004 to be diverted on East Plum Creek and at Chatfield.
- Water derived from the exercise of CPNMD's portion of the Hock Hocking Mine water right.
- Water derived from the exercise of CPNMD's water rights diverted at the Fulton Ditch and other points further downstream, to the extent exchange potential exists to move such water upstream to Chatfield.

APPENDIX E – FINANCIAL DOCUMENTATION

E1 – District Cash Flow

E2 – Five Year Financial Summary (2009 – 2013)

E3 – 2013 Financial Statements (*in electronic version*)

E4 – 2012 Financial Audit (*in electronic version*)

E5 – 2011 Financial Audit (*in electronic version*)

Castle Pines North Metropolitan District
Schedule of Cashflow
Chatfield Reservoir Reallocation Project Expenses (District's share)
and CWCB Loan Repayment

CWCB Loan	
Project Costs	\$ 6,444,240
CWCB Loan	\$ 5,799,816
CWCB Share	90%
Interest Rate	3%
Term-years	20
Annual Payment ¹	\$389,839

Inflation	Sources				Uses				Sources in Excess of Uses		
	Water Charges		Water Cap Impr		5% Water		Debt Retirement				
	5%	2%	3%	Total Sources	Expenses (no depreciation)	Chatfield Project Expenses	Payments on CWCB Loan	10% Reserve Set Aside		Total Uses	
Year	(a)	(b)	(c)	sum (a) - (c)	(e)	(f)	(g)	(h)	sum (e) - (h)	(d) - (i)	(j)
2013	\$ 2,953,259	\$ 1,168,428	\$ 61,810	\$ 4,183,497	\$ (2,808,492)	\$ (644,424)	\$ (389,839)	\$ (38,984)	\$ (3,881,739)	\$	301,758
2014	3,100,922	1,191,797	63,664	4,356,383	(2,948,917)	-	(389,839)	(38,984)	(3,377,739)		978,644
2015	3,255,968	1,215,632	65,574	4,537,175	(3,096,362)	-	(389,839)	(38,984)	(3,525,185)		1,011,990
2016	3,418,766	1,239,945	67,541	4,726,253	(3,251,181)	-	(389,839)	(38,984)	(3,680,003)		1,046,250
2017	3,589,705	1,264,744	69,568	4,924,017	(3,413,740)	-	(389,839)	(38,984)	(3,842,562)		1,081,454
2018	3,769,190	1,290,039	71,655	5,130,884	(3,584,427)	-	(389,839)	(38,984)	(4,013,249)		1,117,634
2019	3,957,650	1,315,840	73,804	5,347,294	(3,763,648)	-	(389,839)	(38,984)	(4,192,470)		1,154,823
2020	4,155,532	1,342,156	76,019	5,573,707	(3,951,830)	-	(389,839)	(38,984)	(4,380,653)		1,193,054
2021	4,363,309	1,369,000	78,299	5,810,607	(4,149,422)	-	(389,839)	(38,984)	(4,578,244)		1,232,363
2022	4,581,474	1,396,380	80,648	6,058,502	(4,356,893)	-	(389,839)	(38,984)	(4,785,715)		1,272,786
2023	4,810,548	1,424,307	83,067	6,317,922	(4,574,738)	-	(389,839)		(4,964,576)		1,353,346
2024	5,051,075	1,452,793	85,559	6,589,428	(4,803,474)	-	(389,839)		(5,193,313)		1,396,115
2025	5,303,629	1,481,849	88,126	6,873,604	(5,043,648)	-	(389,839)		(5,433,487)		1,440,118
2026	5,568,810	1,511,486	90,770	7,171,067	(5,295,831)	-	(389,839)		(5,685,669)		1,485,397
2027	5,847,251	1,541,716	93,493	7,482,460	(5,560,622)	-	(389,839)		(5,950,461)		1,531,999
2028	6,139,613	1,572,550	96,298	7,808,462	(5,838,653)	-	(389,839)		(6,228,492)		1,579,970
2029	6,446,594	1,604,001	99,187	8,149,782	(6,130,586)	-	(389,839)		(6,520,425)		1,629,358
2030	6,768,924	1,636,081	102,163	8,507,168	(6,437,115)	-	(389,839)		(6,826,954)		1,680,214
2031	7,107,370	1,668,803	105,227	8,881,400	(6,758,971)	-	(389,839)		(7,148,810)		1,732,591
2032	7,462,738	1,702,179	108,384	9,273,302	(7,096,919)	-	(389,839)	389,839	(7,096,919)		2,176,382
Totals	\$ 97,652,327	\$ 28,389,727	\$ 1,660,858	\$ 127,702,912	\$ (92,865,468)	\$ (644,424)	\$ (7,796,775)	\$ 0	\$ (101,306,666)	\$	26,396,246

Castle Pines North Metropolitan District
Water Enterprise Fund
Five Year Financial Summary (2009-2013)

	2013 <u>(unaudited)</u>	2012 <u>(audited)</u>	2011 <u>(audited)</u>	2010 <u>(audited)</u>	2009 <u>(audited)</u>
Water Charges	2,724,843	2,763,691	2,760,060	2,712,628	2,211,999
Capital Improvement Fees	1,126,622	1,076,200	1,065,089	1,096,088	1,031,840
Connect Fees	150,500	250,500	412,895	269,200	483,500
Investment/Other income	<u>111,081</u>	<u>34,316</u>	<u>(93,812)</u>	<u>101,673</u>	<u>138,893</u>
 Total Revenue	 4,113,046	 4,124,707	 4,144,232	 4,179,589	 3,866,232
 Operating Expenses	 2,730,668	 2,545,344	 2,017,877	 1,785,654	 1,530,599
One-time Emergency Repairs	327,500				
Depreciation	<u>950,000</u>	<u>982,084</u>	<u>1,000,068</u>	<u>1,003,874</u>	<u>918,476</u>
 Total Expenses	 <u>4,008,168</u>	 <u>3,527,428</u>	 <u>3,017,945</u>	 <u>2,789,528</u>	 <u>2,449,075</u>
 Net Income before Transfers in	 104,878	 597,279	 1,126,287	 1,390,061	 1,417,157
 Transfers in	 <u>-</u>	 <u>10,364,205</u>	 <u>-</u>	 <u>500,000</u>	 <u>-</u>
 Net Income - change in Net Position	 104,878	 10,961,484	 1,126,287	 1,890,061	 1,417,157
 Net Position - Beginning of Year	 <u>57,916,798</u>	 <u>46,955,314</u>	 <u>45,829,027</u>	 <u>43,938,966</u>	 <u>42,521,809</u>
 Net Position - End of Year	 <u>58,021,676</u>	 <u>57,916,798</u>	 <u>46,955,314</u>	 <u>45,829,027</u>	 <u>43,938,966</u>

APPENDIX F – BOARD RESOLUTION

**CASTLE PINES NORTH METROPOLITAN DISTRICT
DOUGLAS COUNTY, COLORADO
RESOLUTION NO. 2014-___**

**Authorizing Submittal of the District's Feasibility Study, including Loan
Application to CWCB to Fund the District's Participation in the Chatfield
Reservoir Reallocation Project**

WHEREAS, Castle Pines North Metropolitan District ("District"), Douglas County, Colorado is a duly organized and validly existing special district, quasi-municipal corporation and political division of the state pursuant to Article 1, Title 32, C.R.S. ("Special District Act"), and is authorized to provide water activities, services and facilities within the District; and

WHEREAS, pursuant to Section 32-1-1001(1)(h), C.R.S., the District has the power to manage, control and supervise all of the business and affairs of the District; and

WHEREAS, pursuant to Section 32-1-1006(1)(e), C.R.S., the District has the power to acquire water rights and construct and operate lines and facilities within and without the District; and

WHEREAS, pursuant to Section 32-1-1001(1)(e), C.R.S., the District has the power to borrow money and incur indebtedness; and

WHEREAS, the District is a Participant in the Chatfield Reservoir Reallocation Project ("Reallocation Project") as one component of the District's Strategic Renewable Water Implementation Project, and

WHEREAS, the primary purpose of the Reallocation Project is to increase municipal and agricultural storage in Chatfield Reservoir through reallocation of existing storage; and

WHEREAS, the District is responsible for funding its 4.88% pro-rata Participant share of the overall Reallocation Project cost in the amount of \$7,152,898.00 ("Reallocation Project Funding Obligation"); and

WHEREAS, the Colorado Water Conservation Board ("CWCB") is a state agency responsible for protecting Colorado's streams and lakes to water conservation, flood mitigation, watershed protection, stream restoration, drought planning, water supply planning and water project financing; and

WHEREAS, the CWCB issues low interest loans to eligible water conservation projects; and

WHEREAS, the Reallocation Project is a project eligible for CWCB funding; and

WHEREAS, the District has investigated financing options for its Reallocation Project Funding Obligation; and

WHEREAS, the District has determined a CWCB Loan is the best financing option currently available to the District to fulfill its Reallocation Project Funding Obligation;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CASTLE PINES NORTH METROPOLITAN DISTRICT OF DOUGLAS COUNTY, COLORADO:

1. The Board of Directors of the District hereby approves the CWCB Feasibility Study, including the District's Loan Application, and authorizes submittal of the CWCB Feasibility Study and Loan Application to CWCB for the purpose of obtaining a low interest loan to finance the District's Reallocation Project Funding Obligation.
2. This Resolution shall take effect and be enforced immediately upon its approval by the Board.

ADOPTED THIS 24th DAY OF MARCH, 2014.

Castle Pines North Metropolitan District

By: _____
Steven Labossiere, President

ATTEST:

By: _____
Janet Burnham, Secretary to the Board



Accountant's Compilation Report

BOARD OF DIRECTORS
CASTLE PINES NORTH METROPOLITAN DISTRICT

I have compiled the accompanying balance sheet of Castle Pines North Metropolitan District as of December 31, 2012 and December 31, 2013 and the related statements of revenues and expenditures for the years then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.


I have also compiled the accompanying adopted budgets of revenue, expenditures and funds available prepared on the modified accrual basis of the Castle Pines North Metropolitan Districts for the year ending December 31, 2014 in accordance with standards established by the American Institute of Certified Public Accountants.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

I am not independent with respect to Castle Pines North Metropolitan District because I am responsible for the day to day accounting and financial management of the District.


Peggy Dowswell, CPA
February 11, 2014

Loveland
1627 East 18th Street, Loveland, CO 80538
(970) 669 3611

Denver
5300 DTC Parkway, Suite 260 Greenwood Village, CO 80111
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CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
GENERAL FUND	2012	2013	2013	Actual	Budget	Variance	2014
	Audited	Adopted	Projected	Through	Through	Through	Adopted
Revenue - General Fund	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
General Property Tax	2,460,619	2,481,645	2,465,195	2,441,404	2,481,645	(40,241)	2,546,647
Specific Ownership Tax	409,994	374,859	410,782	449,104	374,859	74,245	412,155
Interest Earnings	9,464	4,527	4,747	5,122	4,527	596	3,540
Farm Land Revenue	26,000	26,000	26,000	26,000	26,000	-	26,000
Oil Royalty Revenue	13,494	15,000	7,500	7,122	15,000	(7,878)	7,500
Misc. Revenue	12,113	10,000	27,245	27,687	10,000	17,687	10,000
Cell Phone Lease Revenue	80,712	65,000	65,000	67,638	65,000	2,638	65,273
Total Revenue	3,012,396	2,977,031	3,006,469	3,024,078	2,977,031	47,047	3,071,114
Expenditures - Administrative							
Salaries - Salaried	37,132	41,948	63,823	59,706	41,948	17,758	113,592
Salaries - Hourly	11,235	12,508	12,508	11,773	12,508	(736)	11,705
PERA Employer Contrib.	6,621	7,951	10,947	9,484	7,951	1,533	17,166
Unemployment Insurance	275	300	366	278	300	(22)	376
Workman's Comp Insurance	415	500	500	212	500	(288)	500
Employer Contrib. Health Ins.	15,417	17,870	16,250	14,252	17,870	(3,618)	17,399
Employer Contrib. Medicare	701	790	1,107	1,022	790	233	1,817
PERA Matchmaker Contrib.	1,450	1,634	2,290	2,103	1,634	470	3,759
Subtotal - Salaries and benefits	73,246	83,499	107,791	98,829	83,499	15,330	166,313
Directors & Related Payroll Taxes	8,000	8,800	1,600	2,800	8,800	(6,000)	8,800
Accounting and Payroll	59,834	59,117	68,000	66,244	59,117	7,127	61,000
Auditing	13,500	13,500	13,500	13,500	13,500	-	13,500
District Management	93,586	95,668	75,153	75,153	95,668	(20,515)	-
Dissolution Expenses	25,098	-	-	-	-	-	-
Legal Services	149,030	135,000	170,000	170,294	135,000	35,294	140,000
Other Consulting Services	1,150	-	-	-	-	-	-
Software Support	17,303	20,000	20,000	15,752	20,000	(4,248)	33,604
Consulting Services - Communication & Events	102,589	126,400	126,400	107,011	126,400	(19,389)	90,000
Telephone	14,337	14,000	14,000	12,998	14,000	(1,002)	14,000
Building Utilities	14,736	14,800	14,800	8,618	14,800	(6,182)	15,000
Trash Removal	3,841	3,720	4,382	4,391	3,720	671	4,450
Professional Memberships/Subscr/ Filing Fees	1,971	3,500	3,500	2,009	3,500	(1,491)	3,500
Professional Education/Conferences	1,095	2,000	2,000	1,102	2,000	(898)	3,500
Postage & Freight	1,192	1,800	1,800	1,724	1,800	(76)	1,800
Printing & Copying	9,435	12,000	12,000	10,748	12,000	(1,252)	12,000
Office Supplies	2,253	4,000	4,000	1,483	4,000	(2,517)	4,000
Insurance - Property & Liability	4,021	4,200	5,254	5,296	4,200	1,096	5,779
County Treasurer Collection Fee	36,942	37,225	37,225	36,506	37,225	(719)	38,200
Building Cleaning Expenses	7,340	9,600	9,600	8,923	9,600	(677)	9,600
Board Meeting & Other Meeting Expenses	10,959	7,500	7,500	7,393	7,500	(107)	7,500
Election Expenses	15,371	-	-	-	-	-	17,000
Equipment Rental	941	800	800	695	800	(106)	800
Office Furniture and Equipment	6,196	3,000	3,000	2,719	3,000	(281)	3,000
Office Equipment R & M	2,003	1,800	1,800	1,485	1,800	(315)	1,800
Building R&M	7,714	9,000	13,514	13,514	9,000	4,514	9,000
Ditch/Land Operating Expenses	41,026	40,000	51,000	51,567	40,000	11,567	45,000
Building Expenses/Supplies	3,370	3,400	3,400	1,810	3,400	(1,590)	3,400
Base Rental Expense	943,446	1,180,281	968,171	966,395	1,180,281	(213,886)	1,217,384
Contingency Amount	-	65,000	65,000	-	65,000	(65,000)	65,000
Subtotal - Other	1,598,291	1,876,111	1,697,399	1,590,327	1,876,111	(285,784)	1,828,617
See Accompanying Accountant's Report							

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
GENERAL FUND - Continued							
	2012	2013	2013	Actual	Budget	Variance	2014
	Audited	Adopted	Projected	Through	Through	Through	Adopted
	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Expenditures - Parks/Open Space							
Salaries - Salaried	149,610	163,356	125,000	108,904	163,356	(54,452)	136,067
Salaries - Hourly & OT	20,501	22,015	22,015	20,314	22,015	(1,701)	21,276
PERA Employer Contrib.	23,305	27,064	27,064	17,373	27,064	(9,691)	21,556
Unemployment Insurance	376	410	410	380	410	(30)	472
Workman's Comp Insurance	2,429	2,300	2,081	2,081	2,300	(219)	2,300
Employer Contrib. Health Ins.	8,926	11,372	11,372	8,449	11,372	(2,923)	16,787
Employer Contrib. Medicare	2,467	2,688	2,688	1,874	2,688	(814)	2,281
PERA Matchmaker Contrib.	4,691	5,561	5,561	3,479	5,561	(2,082)	4,720
Subtotal - Salaries and benefits	212,304	234,765	196,191	162,854	234,765	(71,911)	205,461
Other Consulting Services	2,513	2,000	3,700	3,934	2,000	1,934	2,500
Software Support	700	2,800	2,800	-	2,800	(2,800)	2,000
Telephone	2,660	4,200	4,200	2,965	4,200	(1,235)	3,280
Professional Memberships/Subscr	118	150	150	118	150	(32)	150
Travel/Education/Conferences	1,483	1,000	1,000	865	1,000	(135)	1,500
Insurance	16,085	16,889	21,015	21,015	16,889	4,126	23,116
Vehicle Repair & Maintenance	5,486	4,000	4,000	3,698	4,000	(302)	4,920
Vehicle Fuel Expense	4,405	4,500	4,500	4,872	4,500	372	4,800
Irrigation	192,709	210,000	210,000	203,918	210,000	(6,082)	222,600
Storm Drainage	7,854	9,180	9,180	9,571	9,180	391	9,180
Grounds Maintenance Contract	310,844	318,500	320,000	317,035	318,500	(1,465)	327,912
Grounds Operating Supplies	9,638	10,000	10,000	8,365	10,000	(1,635)	10,000
Grounds R&M	100,513	130,000	110,000	108,062	130,000	(21,938)	167,500
Electricity - Parks & Open Space	33,858	36,000	40,000	42,092	36,000	6,092	36,000
Holiday lighting	5,800	6,000	6,840	11,280	6,000	5,280	6,000
Parks Services	7,221	9,000	9,500	10,801	9,000	1,801	9,000
Fire Mitigation	-	-	-	-	-	-	-
Subtotal - Other	701,886	764,219	756,885	748,591	764,219	(15,628)	830,458
Expenditures - Parks/Open Space - Capital							
Design Landscape Master Plan	-	20,000	20,000	-	20,000	(20,000)	20,000
Landscape Master Plan	-	250,000	250,000	-	250,000	(250,000)	-
Subtotal - Capital Expenditures	-	270,000	270,000	-	270,000	(270,000)	20,000
Total General Fund Expenditures	\$ 2,585,727	\$ 3,228,595	\$ 3,028,265	\$ 2,600,601	\$ 3,228,595	\$ (627,994)	\$ 3,050,849
Other Revenues and Expenditures							
Proceeds From Sale of Assets	10,364,205	-	-	-	-	-	-
Transfer to Debt Service	(1,024)	-	-	-	-	-	-
Transfer to Enterprise Fund for Interconnect Pipeline	(10,364,205)	-	-	-	-	-	-
Total Other Revenue and Expenditures	\$ (1,024)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues over/(under) Expenditures	\$ 425,645	\$ (251,564)	\$ (21,795)	\$ 423,477	\$ (251,564)	\$ 675,040	\$ 20,265
Total expenditures and transfers out requiring appropriation	\$ 12,949,932	\$ 3,228,595	\$ 3,028,265	\$ 2,600,601			
Beginning Fund Balance	\$ 1,888,186	\$ 2,346,964	\$ 2,313,831	\$ 2,313,831	\$ 2,346,964	\$ (33,133)	\$ 2,359,668
Ending Fund Balance	\$ 2,313,831	\$ 2,095,400	\$ 2,292,036	\$ 2,737,308	\$ 2,095,400	\$ 641,908	\$ 2,379,933
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See Accompanying Accountant's Report							

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
CONSERVATION TRUST FUND							
	2012	2013	2013	Actual	Budget	Variance	2014
	Audited	Adopted	Projected	Through	Through	Through	Adopted
Revenue	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Lottery proceeds	44,828	41,000	48,000	49,104	41,000	8,104	48,000
Interest earnings	432	387	387	304	387	(83)	397
Total Revenue	\$ 45,260	\$ 41,387	\$ 48,387	\$ 49,409	\$ 41,387	\$ 8,022	\$ 48,397
Expenditures - CTF							
Parks, Rec, and Open Space Additions	-	253,887		-	253,887	(253,887)	313,297
Revenues over/(under) Expenditures	\$ 45,260	\$ (212,500)	\$ 48,387	\$ 49,409	\$ (212,500)	\$ 261,909	\$ (264,900)
Beginning Fund Balance	171,253	\$ 216,513	\$ 216,513	\$ 216,513	\$ 216,513	\$ -	\$ 264,900
Ending Fund Balance	\$ 216,513	\$ 4,013	\$ 264,900	\$ 265,921	\$ 4,013	\$ 261,909	\$ (0)
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COMBINED GENERAL FUND & CTF							
Beginning Fund Balance	\$ 2,059,439	\$ 2,350,977	\$ 2,530,344	\$ 2,530,344	\$ 2,563,477	\$ (33,133)	\$ 2,624,567
Ending Fund Balance	\$ 2,530,344	\$ 2,099,413	\$ 2,556,936	\$ 3,003,229	\$ 2,099,413	\$ 903,816	\$ 2,379,933
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See Accompanying Accountant's Report							

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
	2012	2013	2013	Actual	Budget	Variance	2014
CASTLE PINES NORTH FINANCE CORP.	Audited	Adopted	Projected	Through	Through	Through	Adopted
	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Revenue							
Base Rental Revenue	943,446	1,180,281	968,171	966,395	1,180,281	(213,886)	1,236,099
Interest earnings	4,731	5,291	400	321	5,291	(4,970)	400
Total Revenue	\$ 948,177	\$ 1,185,572	\$ 968,571	\$ 966,716	\$ 1,185,572	\$ (218,856)	\$ 1,236,499
Debt Service and Capital Projects							
2008 CoP Principal	220,000	230,000	230,000	230,000	230,000	-	240,000
2009 CoP Principal	360,000	380,000	380,000	380,000	380,000	-	395,000
2008 CoP Interest	17,404	100,945	13,689	11,599	100,945	(89,346)	90,420
2009 CoP Interest	33,567	195,520	26,515	22,467	195,520	(173,053)	175,920
LOC and Banking Fees - Finance Corp	307,323	245,310	289,461	293,830	245,310	48,520	307,015
Remarketing Fee - CoPs	29,311	28,506	28,506	28,500	28,506	(6)	27,744
Interconnect Pipeline/ Transfer to General Fund	10,364,205	-	-	-	-	-	-
Total Expenditures	11,331,810	1,180,281	968,171	966,395	1,180,281	(213,886)	1,236,099
Total Operating Expenditures	\$ 11,331,810	\$ 1,180,281	\$ 968,171	\$ 966,395	\$ 1,180,281	\$ (213,886)	\$ 1,236,099
Revenues over/(under) Expenditures	\$ (10,383,633)	\$ 5,291	\$ 400	\$ 321	\$ 5,291	\$ (4,970)	\$ 400
Beginning Fund Balance	10,501,163	\$ 119,130	\$ 117,530	\$ 117,530	\$ 119,130	\$ (1,600)	\$ 117,930
Ending Fund Balance	\$ 117,530	\$ 124,421	\$ 117,930	\$ 117,850	\$ 124,421	\$ (6,571)	\$ 118,330
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DEBT SERVICE FUND	2012	2013	2013	Actual	Budget	Variance	2014
	Audited	Adopted	Projected	Through	Through	Through	Adopted
	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Revenue							
Property Tax	2,849,137	2,873,484	2,854,434	2,826,889	2,873,484	(46,595)	2,948,749
Interest Earnings	2,455	3,232	2,187	2,358	3,232	(874)	4,191
Property Tax- Hidden Pointe Metro	200,412	204,396	214,720	214,720	204,396	10,325	115,044
Total Revenue	3,052,005	3,081,112	3,071,341	3,043,968	3,081,112	(37,144)	3,067,984
Expenditures							
County Treasurer Collection Fee	42,775	43,102	44,884	44,884	43,102	1,782	44,231
Bond principal payment 2006 A	1,130,000	1,175,000	1,175,000	1,175,000	1,175,000	-	1,225,000
Bond principal payment 2006 C	1,400,000	-	-	-	-	-	-
2006 A Bond interest expense	338,425	290,400	290,400	290,400	290,400	-	240,462
2006 B Bond interest expense	284,775	284,775	284,775	284,775	284,775	-	284,775
2006 C Bond interest expense	3,104	-	-	-	-	-	-
Paying agent fees/charges	4,550	5,000	5,650	5,650	5,000	650	3,650
Letter of Credit Fees and Rating Fee	14,050	-	3,821	3,821	-	3,821	5,300
ReMarketing Fees - Variable Bonds	2,019	-	-	-	-	-	-
Reserved for Early Debt Payoff	-	1,280,000	1,257,751	-	1,280,000	(1,280,000)	1,260,000
Total Expenditures	3,219,698	3,078,277	3,062,281	1,804,530	3,078,277	(1,273,747)	3,063,418
Other Revenues and Expenditures							
Transfer from General Fund	1,024	-	-	-	-	-	-
Total Other Revenue and Expenditures	\$ 1,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues over/(under) Expenditures	\$ (166,669)	\$ 2,835	\$ 9,060	\$ 1,239,438	\$ 2,835	\$ 1,236,603	\$ 4,566
Beginning Fund Balance	166,669	\$ (1,490)	\$ (0)	\$ (0)	\$ (1,490)	\$ 1,490	\$ 10,231
Ending Fund Balance	\$ (0)	\$ 1,345	\$ 9,060	\$ 1,239,438	\$ 1,345	\$ 1,238,093	\$ 14,797
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See Accompanying Accountant's Report							

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
WATER ACTIVITY ENTERPRISE							
	2012	2013	2013	Actual	Budget	Variance	2014
OPERATING REVENUES	Audited	Adopted	Projected	Through	Through	Through	Adopted
Operating Revenues - Enterprise - Water	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Water Service Revenue	2,250,520	2,428,800	2,128,800	2,023,582	2,428,800	(405,218)	2,458,495
Customer Charge	280,818	311,984	319,484	322,464	311,984	10,480	339,452
Water Lease Revenue	145,662	-	-	19,054	-	19,054	-
Service revenue - unmetered sales	35,812	35,812	35,812	35,812	35,812	0	35,812
Water late fees	24,626	25,000	25,000	26,679	25,000	1,679	26,000
Bulk water sale	21,703	23,232	23,232	7,531	23,232	(15,701)	20,000
Inspection Fee	4,550	5,000	5,000	1,045	5,000	(3,955)	5,000
Reimbursable Inclusion Costs	-	-	21,352	53,832	-	53,832	68,500
IREA Reimbursement	-	-	235,890	235,890	-	235,890	-
Total Water Operating Revenue	2,763,691	2,829,828	2,794,570	2,725,889	2,829,828	(103,940)	2,953,259
OPERATING EXPENSES							
Operating Expenditures - Enterprise - Water							
Salaries - Salaried	111,159	116,347	125,000	115,426	116,347	(921)	151,323
Salaries - Hourly	16,020	22,277	22,277	16,139	22,277	(6,137)	16,208
Salaries - OT and Standby	10,436	9,690	14,000	14,586	9,690	4,896	9,689
PERA Employer Contrib.	17,892	21,654	21,654	19,231	21,654	(2,422)	22,952
Unemployment Insurance	398	450	450	402	450	(48)	503
Workman's Comp Insurance	2,154	1,800	2,006	2,006	1,800	206	1,800
Employer Contrib. Health Ins.	28,399	29,783	29,783	26,253	29,783	(3,529)	28,600
Employer Contrib. Medicare	1,894	2,151	2,151	2,084	2,151	(67)	2,429
PERA Matchmaker Contrib.	1,952	4,449	4,449	2,406	4,449	(2,044)	5,026
Subtotal - Salaries and benefits	190,305	208,600	221,769	198,534	208,600	(10,066)	238,530
See Accompanying Accountant's Report							

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
WATER ACTIVITY ENTERPRISE (CONTINUED)							
	2012	2013	2013	Actual	Budget	Variance	2014
OPERATING EXPENSES	Audited	Adopted	Projected	Through	Through	Through	Adopted
Operating Expenditures - Enterprise - Water	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Accounting and Payroll	28,542	28,442	33,000	31,677	28,442	3,235	30,500
Credit Card Fees	9,279	8,000	8,000	7,763	8,000	(237)	8,000
District Management	46,793	47,834	37,577	37,577	47,834	(10,257)	-
Professional Services	10,141	8,000	8,000	-	8,000	(8,000)	8,000
Engineering Services	36,395	10,000	75,000	73,716	10,000	63,716	30,000
Reimbursable Engineering Costs	-	-	24,676	24,676	-	24,676	68,500
Reimbursable Legal Costs	-	-	21,430	21,430	-	21,430	-
Software Support	5,210	8,000	8,000	7,864	8,000	(136)	11,000
Professional Svcs - Water Rights	577,403	283,000	352,387	378,888	283,000	95,888	191,000
Laboratory Testing	1,340	4,400	4,400	1,124	4,400	(3,277)	4,400
Water Rebates	20,000	20,000	40,000	39,402	20,000	19,402	40,000
Water Auditing	20,000	27,900	27,900	12,438	27,900	(15,462)	27,900
Telephone/Alarms	2,124	5,860	5,860	5,457	5,860	(403)	6,000
Trash Removal	942	1,000	2,500	2,015	1,000	1,015	1,000
Reuse Pumping - Elec.	116,817	110,000	110,000	68,549	110,000	(41,451)	110,000
Elec for Well Pumping	703,857	706,500	661,152	534,493	706,500	(172,007)	666,500
Elec for WTP	86,741	81,000	81,000	68,014	81,000	(12,986)	85,000
Elec for Booster Pump Sta.	12,241	12,150	14,000	13,579	12,150	1,429	13,200
IPP Pumping costs from House to CPN	-	66,573	50,000	50,910	66,573	(15,663)	66,573
Professional Memberships/Subscr.	1,233	1,200	1,470	1,470	1,200	270	1,200
Prof Education/Conferences	739	1,200	1,399	1,469	1,200	269	3,200
Insurance - Property & Liability	10,551	11,550	13,134	13,155	11,550	1,605	14,447
Postage & Freight	7,200	8,100	9,000	9,000	8,100	900	8,100
Printing & Copying	6,123	11,333	11,333	4,704	11,333	(6,629)	11,333
Operating Supplies	4,337	5,000	5,702	5,816	5,000	816	6,000
Water Meters	38,737	45,000	45,000	42,576	45,000	(2,424)	50,000
Small Tools	2,388	3,000	5,359	7,381	3,000	4,381	3,000
South Metro Water Supply Auth	2,739	13,200	13,333	13,333	13,200	133	13,200
South Metro Special Projects-WISE	29,300	117,091	117,091	15,000	117,091	(102,091)	-
Douglas County Water Res. Auth	10,000	10,700	10,750	10,750	10,700	50	10,750
South Platte Recovery Program	3,429	5,000	5,000	3,467	5,000	(1,533)	5,000
Vehicles R&M	4,035	3,500	8,844	9,034	3,500	5,534	3,500
Vehicle Fuel Expense	4,369	5,000	5,000	3,696	5,000	(1,304)	5,000
Wells R&M	25,616	85,000	270,000	265,420	85,000	180,420	95,000
Water Treatment Plant R&M	116,772	105,000	285,000	365,477	105,000	260,477	185,000
Water Distribution R&M	101,455	85,000	85,000	93,980	85,000	8,980	155,000
Centennial Capacity Readiness	200,000	400,000	400,000	400,000	400,000	-	400,000
Centennial Delivery Charges	82	232,658	232,658	200,533	232,658	(32,125)	232,658
Water rate study/Renewable Water Plan	28,752	-	20,000	11,928	-	11,928	-
Bad debts written-off	321	500	500	1,828	500	1,328	-
Subtotal - Other	2,276,004	2,577,691	3,110,455	2,859,588	2,577,691	281,898	2,569,961
Depreciation (non-cash)	982,084	-		-	-	-	-
Total Operating Expenditures	\$ 3,448,393	\$ 2,786,291	\$ 3,332,224	\$ 3,058,123	\$ 2,786,291	\$ 271,831	\$ 2,808,492
Net Operating Income/(Loss) - Water	\$ (684,702)	\$ 43,537	\$ (537,654)	\$ (332,234)	\$ 43,537	\$ (375,771)	\$ 144,768
See Accompanying Accountant's Report						=	

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
WATER ACTIVITY ENTERPRISE continued							
	2012	2013	2013	Actual	Budget	Variance	2014
	Audited	Adopted	Projected	Through	Through	Through	Adopted
	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Non-Operating Revenue - Enterprise - Water							
Capital Improvement Fee	1,076,200	1,121,655	1,121,655	1,126,622	1,121,655	4,967	1,168,428
Water Connect Fee	250,500	55,000	143,000	150,500	55,000	95,500	58,000
Interest Earnings	9,314	6,010	7,451	7,980	6,010	1,970	3,810
Insurance Proceeds	87,300	-	-	102,631	-	102,631	-
Proceeds Sale/Transfer from the General Fund	10,364,205	-	-	-	-	-	-
Financing Proceeds	-	-	-	-	-	-	800,000
Total Water Non-Operating Revenue	11,787,519	1,182,665	1,272,106	1,387,733	1,182,665	205,068	2,030,238
Non-Operating Expense - Enterprise - Water							
Meadow Island and Lupton Bottom interest pmt	62,298	58,234	53,234	53,234	58,234	(5,000)	-
Meadow Island and Lupton Bottom note pmt	22,891	993,459	994,832	994,832	993,459	1,373	-
Chatfield Reallocation Engineering	31,104	35,000	35,000	22,966	35,000	(12,034)	35,000
Water Rights Engineering	-	15,000	65,000	64,579	15,000	49,579	15,000
Engineering Study Plum Creek Water Rights	-	15,000	15,000	6,854	15,000	(8,146)	15,000
Legal fees Plum Creek Water Rights	-	100,000	145,000	110,240	100,000	10,240	100,000
Reuter-Hess EIS Engineering Spt	-	25,000	-	-	25,000	(25,000)	-
Water Main Replacement	25,041	20,000	-	-	20,000	(20,000)	20,000
Chatfield Reallocation Project	-	-	-	-	-	-	1,500,000
VXU Vehicle meter readers	-	25,000	-	25,298	25,000	298	38,000
Renewable Water Projects - Pumphouse	-	-	16,000	10,318	-	10,318	-
Renewable Water Projects - Interconnect Pipeline	-	5,000,000	3,946,928	3,362,722	5,000,000	(1,637,278)	137,200
Parker's Chatfield Storage	-	110,700	-	-	110,700	(110,700)	110,600
Well A-5 Major Replacements	-	385,000	420,233	420,233	385,000	35,233	-
Well A-4 Major Replacements	-	215,000	215,000	-	215,000	(215,000)	-
Strategic Renewable Water Implementation Program	-	-	95,000	26,350	-	26,350	200,000
Replace Truck #1	-	-	-	-	-	-	35,000
Change Bristol to Allen Bradley WTP	-	-	-	-	-	-	160,000
Well A-7 Major Replacements	-	-	-	-	-	-	225,000
Well DE-7 Major Replacements	-	-	-	-	-	-	225,000
Reserve for Major Well Replacement	-	-	-	-	-	-	645,000
Total Water Non-Operating Expenditures	141,334	6,997,393	6,001,227	5,097,625	6,997,393	(1,899,767)	3,460,800
Total expenditures and transfers out requiring appropriation		9,783,684	9,333,451	8,155,748			6,269,292
Net Non-Operating Income (Loss) - Water	\$ 11,646,186	\$ (5,814,728)	\$ (4,729,121)	\$ (3,709,893)	\$ (5,814,728)	\$ 2,104,835	\$ (1,430,562)
Net Income - Change in Net Assets	10,961,484	(5,771,191)	(5,266,775)	(4,042,127)	(5,771,191)	1,729,064	(1,285,794)
Net Assets, Beginning of Year	\$ 46,955,310	\$ 53,598,003	\$ 57,916,794	\$ 57,916,794	\$ 57,916,794	\$ 57,916,794	\$ 53,836,948
Adjustment for balance sheet items	-		1,024,494	1,024,494	915,630	915,630	
Net Assets, End of Year	\$ 57,916,794	\$ 47,826,812	\$ 53,674,513	\$ 54,899,161	\$ 53,061,233	\$ 60,561,488	\$ 52,551,154
Less: Investment in Fixed Assets	(\$48,400,083)	(\$48,400,081)	(\$48,400,081)	(\$48,400,081)			(\$48,670,681)
Less: Restricted for Interconnect Pipeline	(\$5,000,000)			(\$100,000)		=	
Unrestricted Net Position	\$ 4,516,711	\$ (573,269)	\$ 5,274,432	\$ 6,399,080			\$ 3,880,473
See Accompanying Accountant's Report						=	

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
WASTEWATER ACTIVITY ENTERPRISE							
	2012	2013	2013	Actual	Budget	Variance	2014
OPERATING REVENUES	Audited	Adopted	Projected	Through	Through	Through	Adopted
Operating Revenues - Enterprise - Wastewater	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Sewer Service Revenue	1,016,262	1,072,128	1,072,128	1,102,591	1,072,128	30,463	1,107,508
Customer Charge	284,711	292,113	377,984	359,355	292,113	67,242	393,708
Interest Earnings	4,515	4,142	3,377	2,725	4,142	(1,418)	3,185
Capital Improvement Fee-combined with Cust Charges	83,135	85,854	-	-	85,854	(85,854)	-
Wastewater Connect Fee	33,000	-	18,985	21,985	-	21,985	4,500
Total Wastewater Operating Revenue	1,421,623	1,454,237	1,472,474	1,486,656	1,454,237	32,419	1,508,901
Operating Expenditures - Enterprise - Wastewater							
Salaries - Salaried	89,221	93,078	87,828	92,341	93,078	(737)	121,059
Salaries - Hourly	15,243	21,420	21,420	15,454	21,420	(5,966)	15,494
Salaries - OT and Standby	10,436	7,650	14,000	14,924	7,650	7,274	7,803
PERA Employer Contrib.	14,646	16,734	17,933	15,723	16,734	(1,011)	18,708
Unemployment Insurance	304	3,000	3,026	307	3,000	(2,693)	410
Workman's Comp Insurance	1,723	1,800	1,800	1,605	1,800	(195)	1,800
Employer Contrib. Health Ins.	22,720	23,830	24,945	21,003	23,830	(2,828)	22,880
Employer Contrib. Medicare	1,550	1,771	1,898	1,690	1,771	(81)	1,980
PERA Matchmaker Contrib.	1,634	3,664	3,664	1,991	3,664	(1,673)	4,097
Subtotal - Salaries and benefits	157,477	172,948	176,515	165,038	172,948	(7,910)	194,231
See Accompanying Accountant's Report						=	

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
WASTEWATER ACTIVITY ENTERPRISE (CONTINUED)							
	2012	2013	2013	Actual	Budget	Variance	2014
	Audited	Adopted	Projected	Through	Through	Through	Adopted
	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Operating Expenditures - Enterprise - Wastewater							
Accounting and Payroll	22,834	23,503	23,503	25,342	23,503	1,839	24,400
Credit Card Fees	7,435	5,600	7,000	6,999	5,600	1,399	6,360
District Management	37,434	38,267	30,061	30,061	38,267	(8,206)	-
Professional Services - Rate Study	18,143	6,000	6,288	-	6,000	(6,000)	6,000
Engineering Services	12,617	20,000	20,000	2,652	20,000	(17,348)	10,000
Software Support	1,199	2,000	2,000	1,799	2,000	(201)	2,000
PCWA Sewer Fees	632,959	627,716	627,716	627,716	627,716	0	645,916
Telephone/Alarms	3,821	5,050	5,050	5,025	5,050	(25)	6,100
Elec for Wastewater Pumping	60,958	70,000	70,000	69,436	70,000	(564)	70,000
Natural Gas for Lift Stations	3,180	3,500	3,500	3,288	3,500	(212)	4,000
Prof Education/Conferences	755	3,550	3,550	3,100	3,550	(450)	7,000
Insurance - Property & Liability	8,042	8,500	10,507	10,524	8,500	2,024	11,558
Postage & Freight	5,760	6,500	7,200	7,200	6,500	700	8,000
Printing & Copying	3,604	3,700	3,700	3,609	3,700	(91)	3,800
Operating Supplies	4,349	2,500	2,572	2,572	2,500	72	2,500
Small Tools	7,636	3,000	3,000	3,100	3,000	100	3,000
Vehicle R&M	2,297	4,000	5,609	5,609	4,000	1,609	4,000
Vehicle Fuel Expense	4,369	5,000	5,000	3,679	5,000	(1,321)	5,000
Wastewater Collections/Lift Station R&M	98,567	152,000	152,000	111,424	152,000	(40,576)	157,000
Chatfield Watershed Authority Dues	-	2,750	2,750	-	2,750	(2,750)	2,750
Bad debts written-off	566	750	750	703	750	(47)	750
Subtotal - Other	936,525	993,886	991,756	923,837	993,886	(70,049)	980,134
Depreciation (non-cash)	269,935	-	-	-	-	-	-
Total Operating Expenditures	\$ 1,363,936	\$ 1,166,834	\$ 1,168,271	\$ 1,088,876	\$ 1,166,834	\$ (77,959)	\$ 1,174,365
Net Operating Income/(Loss) - Wastewater	\$ 57,687	\$ 287,403	\$ 304,203	\$ 397,781	\$ 287,403	\$ 110,378	\$ 334,537
Non-Operating Expense - Enterprise - Wastewater							
Equipment - General	-	50,000	50,000	33,387	50,000	(16,613)	75,000
Utility Service Vehicle	-	-	-	-	-	-	-
Lift Station Site Improvements	2,556	10,000	10,000	-	10,000	(10,000)	55,000
Lift Station consolidation study	-	-	-	-	-	-	-
Total Wastewater Non-Operating Expenditures	2,556	60,000	60,000	33,387	60,000	(26,613)	130,000
Net Income - Change in Net Assets	55,131	227,403	244,203	364,394	227,403	136,991	204,537
Net Assets, Beginning of Year	\$ 1,780,901	\$ 1,836,032	\$ 1,836,032	\$ 1,836,032	\$ 1,836,032	\$ 1,836,032	\$ 2,085,357
Net Assets, End of Year	\$ 1,836,032	\$ 2,063,434	\$ 2,080,235	\$ 2,200,425	\$ 2,063,434	\$ 1,973,022	\$ 2,289,894
Less: Investment in Fixed Assets	(\$1,781,382)	(\$1,781,382)	(\$1,781,382)	(\$1,781,382)			(\$1,781,982)
						=	
Unrestricted Net Position	\$ 54,650	\$ 282,052	\$ 298,852	\$ 419,043	\$ 2,063,434	\$ 1,973,022	\$ 507,911
See Accompanying Accountant's Report						=	

CASTLE PINES NORTH METROPOLITAN DISTRICT							
STATEMENT OF REVENUES & EXPENDITURES WITH BUDGETS					11-Feb-14		
December 31, 2012 Actual, 2013 Adopted Budget and Projected Actual,							
Year-to-date Actual, Budget and Variance through December 31, 2013							
		Modified Accrual Budgetary Basis					
STORM DRAINAGE ACTIVITY ENTERPRISE							
	2012	2013	2013	Actual	Budget	Variance	2014
OPERATING REVENUES	Audited	Adopted	Projected	Through	Through	Through	Adopted
Operating Revenues - Enterprise - Stormwater	Actual	Budget	Budget	12/31/2013	12/31/2013	12/31/2013	Budget
Storm Drainage Revenue	128,708	128,500	128,500	134,000	128,500	5,500	168,800
Interest Earnings	327	299	299	241	299	(58)	250
Total Stormwater Operating Revenue	129,036	128,799	128,799	134,241	128,799	5,442	169,050
Operating Expenditures - Enterprise - Storm Water							
Salaries - Salaried	22,672	23,774	25,962	23,085	23,774	(688)	30,265
Salaries - Hourly	3,474	4,243	4,243	3,510	4,243	(733)	3,522
PERA Employer Contrib.	3,615	4,090	4,390	3,883	4,090	(207)	4,629
Unemployment Insurance	94	110	117	95	110	(15)	101
Workman's Comp Insurance	431	400	401	401	400	1	400
Employer Contrib. Health Ins.	5,680	6,051	6,330	5,251	6,051	(801)	5,720
Employer Contrib. Medicare	383	405	437	417	405	12	490
PERA Matchmaker Contrib.	399	841	841	487	841	(353)	1,014
Subtotal - Salaries and benefits	36,747	39,914	42,719	37,130	39,914	(2,784)	46,141
Accounting and Payroll	5,708	5,939	6,500	6,335	5,939	396	6,100
District Management	9,359	9,567	7,515	7,515	9,567	(2,051)	-
Engineering Services	-	-	10,500	3,865	-	3,865	20,000
Software Support	300	2,700	2,700	450	2,700	(2,250)	500
Insurance - Property & Liability	2,011	4,000	2,627	2,631	4,000	(1,369)	2,758
Postage & Freight	1,440	2,000	2,000	1,800	2,000	(200)	2,000
Printing & Copying	883	2,000	2,000	883	2,000	(1,117)	2,000
Vehicle R&M	-	1,000	1,000	-	1,000	(1,000)	1,000
Vehicle Fuel Expense	2,184	2,000	2,000	1,822	2,000	(178)	2,000
Storm Drainage R&M	51,371	50,000	50,000	28,015	50,000	(21,985)	50,000
Emergency Repairs	-	-	-	-	-	-	55,000
Bad debts written-off & Other	382	1,200	1,200	52	1,200	(1,148)	1,200
Subtotal - Other	73,638	80,406	88,042	53,369	80,406	(27,037)	142,558
Depreciation (non-cash)	582	-	-	-	-	-	-
Total Operating Expenditures	\$ 110,966	\$ 120,320	\$ 130,761	\$ 90,499	\$ 120,320	\$ (29,820)	\$ 188,699
Net Income - Change in Net Assets	18,069	8,479	(1,962)	43,742	8,479	35,263	(19,649)
Net Assets, Beginning of Year	\$ 102,538	\$ 120,607	\$ 120,607	\$ 120,607	\$ 120,607	\$ 120,607	\$ 119,886
Net Assets, End of Year	\$ 120,607	\$ 129,087	\$ 118,645	\$ 164,349	\$ 129,087	\$ 155,870	\$ 100,237
Less: Investment in Fixed Assets	(\$10,759)	(\$10,760)	(\$10,760)	(\$10,760)		=	(\$10,760)
Unrestricted Net Position	\$ 109,848	\$ 118,327	\$ 107,885	\$ 153,590	\$ 129,087	\$ 155,870	\$ 89,477
See Accompanying Accountant's Report							

CASTLE PINES NORTH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2012

with

Independent Auditors' Report

C O N T E N T S

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Board of Directors
Castle Pines North Metropolitan District
Douglas County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castle Pines North Metropolitan District (the "District"), as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above and the required supplemental information present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castle Pines North Metropolitan District as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

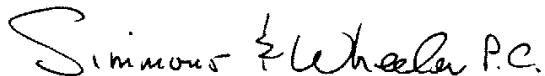
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. Our opinions on the basic financial statements are not affected by this missing information.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 37 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. The required supplemental has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Castle Pines North Metropolitan District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The continuing disclosure annual financial information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Centennial, CO
July 15, 2013

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2012

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 2,781,771	\$ 7,989,690	\$ 10,771,461
Cash and investments - restricted	216,813	3,364,205	3,581,018
Receivable - county treasurer	29,922	-	29,922
Property taxes receivable	5,355,129	-	5,355,129
Accounts receivable - services	2,875	391,077	393,952
Accounts receivable - other	-	346,075	346,075
Total Current Assets	<u>8,386,510</u>	<u>12,091,047</u>	<u>20,477,557</u>
NON-CURRENT ASSETS			
Capital assets, not being depreciated	63,321,059	13,856,614	77,177,673
Capital assets, net of accumulated depreciation	<u>2,600,887</u>	<u>36,335,610</u>	<u>38,936,497</u>
Total Non-current Assets	<u>65,921,946</u>	<u>50,192,224</u>	<u>116,114,170</u>
TOTAL ASSETS	<u>74,308,456</u>	<u>62,283,271</u>	<u>136,591,727</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	<u>640,364</u>	<u>-</u>	<u>640,364</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>640,364</u>	<u>-</u>	<u>640,364</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>74,948,820</u>	<u>62,283,271</u>	<u>137,232,091</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	371,079	922,770	1,293,849
Retainage payable	-	315,309	315,309
Accrued compensated absences	12,430	23,048	35,478
Reserve for reimbursement	-	16,795	16,795
Deferred revenue - less than one year	-	35,812	35,812
Accrued interest payable on long-term debt	53,016	53,926	106,942
Long-term debt payable - less than one year	<u>1,800,177</u>	<u>970,568</u>	<u>2,770,745</u>
Total Current Liabilities	<u>2,236,702</u>	<u>2,338,228</u>	<u>4,574,930</u>
LONG-TERM LIABILITIES			
Deferred revenue - greater than one year	-	71,607	71,607
Long-term debt payable, net of premium - greater than one year	<u>33,675,976</u>	<u>-</u>	<u>33,675,976</u>
Total Long-term Liabilities	<u>33,675,976</u>	<u>71,607</u>	<u>33,747,583</u>
TOTAL LIABILITIES	<u>35,912,678</u>	<u>2,409,835</u>	<u>38,322,513</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>5,355,129</u>	<u>-</u>	<u>5,355,129</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,355,129</u>	<u>-</u>	<u>5,355,129</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>41,267,807</u>	<u>2,409,835</u>	<u>43,677,642</u>
NET POSITION			
Net investment in capital assets	30,445,793	49,221,656	79,667,449
Restricted for:			
Emergency Reserve	140,000	-	140,000
Capital projects	-	3,364,205	3,364,205
Conservation Trust Fund	216,513	-	216,513
Unrestricted	<u>2,878,707</u>	<u>7,287,575</u>	<u>10,166,282</u>
TOTAL NET POSITION	<u>\$ 33,681,013</u>	<u>\$ 59,873,436</u>	<u>\$ 93,554,449</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

Functions/Programs	Total Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2011
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General government	\$ 2,628,504	\$ 80,712	\$ 982,940	\$ -	\$ (1,564,852)	\$ -	\$ (1,564,852)	\$ (1,678,570)
Intergovernmental revenues	-	-	245,240	-	245,240	-	245,240	276,535
Interest and related costs on long-term debt	1,806,869	-	-	-	(1,806,869)	-	(1,806,869)	(1,392,069)
Depreciation	254,925	-	-	-	(254,925)	-	(254,925)	(295,126)
Total Governmental Activities	4,690,298	80,712	1,228,180	-	(3,381,406)	-	(3,381,406)	(3,089,230)
Business-Type Activities:								
Water	3,589,726	2,763,691	-	1,326,700	-	500,665	500,665	1,103,094
Wastewater	1,366,493	1,300,973	-	116,136	-	50,616	50,616	(83,258)
Storm drainage	110,968	128,708	-	-	-	17,740	17,740	54,628
Total Business-Type Activities	5,067,187	4,193,372	-	1,442,836	-	569,021	569,021	1,074,464
Total	\$ 9,757,485	\$ 4,274,084	\$ 1,228,180	\$ 1,442,836	(3,381,406)	569,021	(2,812,385)	(2,014,766)
General Revenues:								
Property taxes					5,309,756	-	5,309,756	6,003,341
Specific ownership taxes					409,994	-	409,994	397,722
Miscellaneous income					12,113	87,300	99,413	32,036
Transfers from other funds					(10,364,205)	10,364,205	-	-
Interest income					17,082	14,156	31,238	22,475
Total General Revenues					(4,615,260)	10,465,661	5,850,401	6,455,574
Change in Net Position					(7,996,666)	11,034,682	3,038,016	4,440,808
Net Position - Beginning (Restated)					41,677,679	48,838,754	90,516,433	86,691,747
Net Position - Ending					\$ 33,681,013	\$ 59,873,436	\$ 93,554,449	\$ 91,132,555

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2012

With Comparative Totals for December 31, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental 2012</u>	<u>Total Governmental 2011</u>
ASSETS				
Cash and investments	\$ 2,781,771	\$ -	\$ 2,781,771	\$ 3,512,894
Cash and investments - restricted	216,513	300	216,813	10,708,980
Receivable - county treasurer	29,922	-	29,922	30,703
Property taxes receivable	2,481,645	2,873,484	5,355,129	5,336,156
Accounts receivable - other	<u>2,875</u>	<u>-</u>	<u>2,875</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,512,726</u>	<u>\$ 2,873,784</u>	<u>8,386,510</u>	<u>19,588,733</u>
LIABILITIES				
Accounts payable	\$ 370,779	\$ 300	371,079	1,510,416
Accrued compensated absences	12,430	-	12,430	12,391
Payable to Castle Pines Parks Authority	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
TOTAL LIABILITIES	<u>383,209</u>	<u>300</u>	<u>383,509</u>	<u>1,525,307</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	<u>2,481,645</u>	<u>2,873,484</u>	<u>5,355,129</u>	<u>5,336,156</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,481,645</u>	<u>2,873,484</u>	<u>5,355,129</u>	<u>5,336,156</u>
FUND BALANCES/NET POSITION:				
FUND BALANCES:				
Restricted for:				
Emergency Reserve	140,000	-	140,000	110,000
Debt service	-	-	-	166,668
Capital projects	-	-	-	10,359,586
Conservation Trust Fund	216,513	-	216,513	171,253
Assigned	246,272	-	246,272	118,690
Unassigned	<u>2,045,087</u>	<u>-</u>	<u>2,045,087</u>	<u>1,801,073</u>
Total Fund Balances	<u>2,647,872</u>	<u>-</u>	<u>2,647,872</u>	<u>12,727,270</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,512,726</u>	<u>\$ 2,873,784</u>		

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	65,921,946	66,176,871
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:		
Bonds payable	(12,530,000)	(15,060,000)
Bond premium, net of amortization	(141,153)	(157,424)
Bond costs of refunding, net of amortization	640,364	1,431,969
Certificates of Participation payable	(22,805,000)	(23,385,000)
Accrued interest payable - long-term debt	<u>(53,016)</u>	<u>(56,007)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 33,681,013</u>	<u>\$ 41,677,679</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

With Comparative Totals For the Year Ended December 31, 2011

	2012			2011
	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Total</u>
REVENUES				
Property taxes	\$ 2,460,619	\$ 2,849,137	\$ 5,309,756	\$ 6,003,341
Specific ownership taxes	409,994	-	409,994	397,722
Intergovernmental revenues	44,828	200,412	245,240	276,535
Farm land revenue	26,000	-	26,000	26,000
Lease income	80,712	-	80,712	82,851
Oil royalty income	13,494	-	13,494	14,495
Base Rental income	943,446	-	943,446	931,000
Investment income	14,627	2,455	17,082	15,973
Miscellaneous income	12,113	-	12,113	12,818
Total Revenues	<u>4,005,833</u>	<u>3,052,004</u>	<u>7,057,837</u>	<u>7,760,735</u>
EXPENDITURES				
General government	1,917,292	42,775	1,960,067	2,090,017
Parks and open space	668,437	-	668,437	691,281
Debt service	967,605	3,176,921	4,144,526	4,550,942
Total Expenditures	<u>3,553,334</u>	<u>3,219,696</u>	<u>6,773,030</u>	<u>7,332,240</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	452,499	(167,692)	284,807	428,495
OTHER FINANCING SOURCES (USES)				
Transfer (to) from other funds	(1,024)	1,024	-	-
Transfer (to) other funds	<u>(10,364,205)</u>	<u>-</u>	<u>(10,364,205)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(10,365,229)</u>	<u>1,024</u>	<u>(10,364,205)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(9,912,730)	(166,668)	(10,079,398)	428,495
FUND BALANCES:				
BEGINNING OF YEAR	<u>12,560,602</u>	<u>166,668</u>	<u>12,727,270</u>	<u>12,298,775</u>
END OF YEAR	<u>\$ 2,647,872</u>	<u>\$ -</u>	<u>\$ 2,647,872</u>	<u>\$ 12,727,270</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - Total governmental funds	\$ (10,079,398)	\$ 428,495
Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlays are not reported as expenditures. However, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful lives of the asset.		
Depreciation expense	(254,925)	(295,126)
The issuance of long-term debt (e.g., bonds, Certificates of Participation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bonds - cost of refunding amortization	(791,605)	(202,150)
Bonds - premium amortization	16,271	17,258
Bonds - principal payments	2,530,000	2,885,000
Certificates of Participation - principal payments	580,000	555,000
Some expenses 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 bonds payable	<u>2,991</u>	<u>8,062</u>
Change in Net Position of Governmental Activities	<u>\$ (7,996,666)</u>	<u>\$ 3,396,539</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION ENTERPRISE FUNDS December 31, 2012

With Comparative Totals for December 31, 2011

	Water	Wastewater	Storm Drainage	2012 Total	2011
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ 11,298,051	\$ (41,012)	\$ 96,856	\$ 11,353,895	\$ 3,047,239
Accounts receivable - services	216,786	159,778	14,513	391,077	409,376
Accounts receivable - other	346,075	-	-	346,075	164,148
Total Current Assets	11,860,912	118,766	111,369	12,091,047	3,620,763
CAPITAL ASSETS					
Property, plant and equipment	61,067,312	2,657,170	36,439	63,760,921	60,117,760
Accumulated depreciation	(12,667,229)	(875,788)	(25,680)	(13,568,697)	(12,316,096)
Total Capital Assets	48,400,083	1,781,382	10,759	50,192,224	47,801,664
TOTAL ASSETS	60,260,995	1,900,148	122,128	62,283,271	51,422,427
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	857,132	64,116	1,522	922,770	-
Retainage payable	315,309	-	-	315,309	288,287
Accrued compensated absences	23,048	-	-	23,048	19,376
Reserve for reimbursement	16,795	-	-	16,795	16,795
Accrued note interest payable	53,926	-	-	53,926	104,800
Deferred water lease revenue	-	-	-	-	124,985
Deferred revenue - less than one year	35,812	-	-	35,812	35,812
Note payable - less than one year	970,568	-	-	970,568	915,630
Total Current Liabilities	2,272,590	64,116	1,522	2,338,228	1,505,685
LONG-TERM LIABILITIES					
Deferred revenue - greater than one year	71,607	-	-	71,607	107,420
Note payable - greater than one year	-	-	-	-	970,568
Total Long-Term Liabilities	71,607	-	-	71,607	1,077,988
TOTAL LIABILITIES	2,344,197	64,116	1,522	2,409,835	2,583,673
NET POSITION					
Net investment in capital assets	48,400,083	1,781,382	10,759	50,192,224	47,801,664
Unrestricted	9,516,715	54,650	109,847	9,681,212	1,037,090
TOTAL NET POSITION	\$ 57,916,798	\$ 1,836,032	\$ 120,606	\$ 59,873,436	\$ 48,838,754

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ENTERPRISE FUNDS

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Water charges	\$ 2,763,691	\$ 2,760,060
Wastewater charges	1,300,973	1,310,408
Storm drainage charges	<u>128,708</u>	<u>127,232</u>
Total Operating Revenues	<u>4,193,372</u>	<u>4,197,700</u>
OPERATING EXPENSES		
Water operations	3,527,428	3,017,945
Wastewater operations	1,366,493	1,506,754
Storm drainage operations	<u>110,968</u>	<u>72,604</u>
Total Operating Expenses	<u>5,004,889</u>	<u>4,597,303</u>
LOSS FROM OPERATIONS	<u>(811,517)</u>	<u>(399,603)</u>
NON-OPERATING REVENUES	1,481,994	1,499,787
NET INCOME BEFORE OPERATING TRANSFERS	670,477	1,100,184
Operating transfers in	10,364,205	-
NET INCOME - CHANGE IN NET POSITION	11,034,682	1,100,184
NET POSITION - BEGINNING OF YEAR	<u>48,838,754</u>	<u>47,738,570</u>
NET POSITION - END OF YEAR	<u>\$ 59,873,436</u>	<u>\$ 48,838,754</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and others	\$ 3,956,246	\$ 4,006,432
Payments to suppliers	(2,417,968)	(2,679,891)
Payments to employees	(380,856)	(376,762)
Net Cash Provided by Operating Activities	<u>1,157,422</u>	<u>949,779</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers from other funds	10,364,205	-
Utility rebate	-	19,218
Net Cash Provided by Non-capital Financing Activities	<u>10,364,205</u>	<u>19,218</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Note interest	(113,172)	(165,000)
Note principal	(915,630)	(863,802)
Connect fees	283,500	443,695
Capital improvement fees	1,159,336	1,147,377
Acquisition of capital assets	(3,643,161)	(4,489,523)
Net Cash Required by Capital and Related Financing Activities	<u>(3,229,127)</u>	<u>(3,927,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>14,156</u>	<u>6,502</u>
Net Cash Provided by Investing Activities	<u>14,156</u>	<u>6,502</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>8,306,656</u>	<u>(2,951,754)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,047,239</u>	<u>5,998,993</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,353,895</u>	<u>\$ 3,047,239</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (811,517)	\$ (399,603)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	1,252,601	1,280,715
Changes in Assets and Liabilities:		
Accounts receivable - services	18,299	(9,739)
Accounts receivable - other	(94,627)	(148,047)
Accounts payable	922,770	-
Retainage payable	27,022	267,308
Accrued compensated absences	3,672	(7,373)
Deferred revenue	(160,798)	(33,482)
Net Adjustments	<u>1,968,939</u>	<u>1,349,382</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,157,422</u>	<u>\$ 949,779</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Castle Pines North Metropolitan District (“District”), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of these financial statements.

Definition of Reporting Entity

The District was established as a quasi-municipal corporation and political subdivision of the State of Colorado under the Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized by a court order on June 11, 1984, and is governed by an elected five member Board of Directors (“Board”). The District was established to provide water service, wastewater service, storm drainage service and parks and open space services for the benefit of the property owners, residents and users of the facilities of the District.

The District follows the 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 is financially accountable for the Castle Pines North Finance Corporation (“Corporation”), which is a Colorado non-profit corporation formed in January 2008 for the purpose of financing, constructing, equipping, owning, leasing and operating real and personal property to be leased by the District for water supply, water storage, water treatment or water distribution pursuant to a lease and other agreements with the District. Despite being a separate legal entity, the Corporation is being presented as a blended component unit of the District because the purpose of the Corporation is to provide an exclusive benefit to, and is intertwined with, the District.

The District has employees for both operations and administrative functions. Other functions are contracted.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Recently Issued and Adopted Accounting Pronouncements

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 required the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB 54 in fiscal year 2011.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants ("AICPA") Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components, which are, assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB Statement 63 in fiscal year 2012.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statements also limits the use of the term deferred to items reported as deferred outflows of resources or deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 although the District elected to early implement GASB Statement 65 in fiscal year 2012.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The District has adopted Statement 61 in the fiscal year 2012. The adoption of Statement 61 does not have any impact on the District's financial statements. Information concerning the Corporation, the blended component unit, can be obtained by contacting the District.

Basis of Presentation

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as Net Position.

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 included among program revenues are reported instead as *general revenues*.

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

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 become 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. The material sources of revenue subject to accrual are property taxes and interest. Expenditures are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt-related costs.

The District reports the following major proprietary fund:

Enterprise Fund – The Enterprise Fund accounts for the water, wastewater and storm drainage operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses or capital contributions.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Budgets

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

- By October 15, the District Manager submits to the Board, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is formally adopted through passage of a Board resolution and monies are appropriated by fund.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board through passage of a budget amendment.
- The District appropriates revenues and expenditures by fund as part of the budget approval process. Budgets for the General and Debt Service Funds are adopted on a basis consistent with GAAP. Budgetary comparisons presented for the Enterprise Fund are presented on a non-GAAP budgetary basis.
- Budgeted amounts in the financial statements are reported as originally adopted or as amended by the Board. All appropriations lapse at year end.

During October 2012, the District modified its appropriations in the General Fund from \$3,098,900 to \$10,098,900 primarily due to the receipt of previously unavailable Certificate of Participation proceeds, in the Debt Service Fund from \$2,994,750 to \$3,229,044 due to the availability of funds to pay the Series 2006C Bonds in full, and in the Water Enterprise Fund from \$4,272,987 to \$7,018,917 primarily due to increased expenditures for construction of the pipeline.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers cash deposits with an original maturity of three months or less to be cash equivalents.

Assets, Liabilities, and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments as of December 31, 2012 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements. The carrying amount of these financial instruments approximates fair value because of the short maturity of the instruments.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. The District's investments are reported at fair value.

The District follows the practice of pooling cash and investments from all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. 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 funds' average equity balance in the total cash and investments.

Allowance for Doubtful Accounts

Tap fees, user fees and similar fees set by the District's Board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables, except as listed below for property taxes, has been made in the financial statements.

Property Tax

Property taxes are certified by the District's Board. The levy is based on assessed valuations determined by the Douglas County Assessor generally as of January 1 of each year. The levy is certified by December 15 to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available, nor are they budgeted as a resource, until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Deferred property taxes are recognized as an inflow of resources in the period that the amounts become available.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets are reported in the applicable governmental or business-type activities 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend the life of capital assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation is reported on the Statement of Activities as a current charge. Improvements classified as construction-in-progress are not depreciated. Land and certain landscaping improvements are not depreciated.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

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

Distribution system	50 - 100 years
Collection system	50 - 100 years
Buildings	25 - 60 years
Trails	12 - 30 years
Machinery and equipment	5 - 25 years
Parking lots	15 years
Irrigation systems	30 years
Office furniture and equipment	5 years

Compensated Absences

The District allows employees to accumulate unused personal leave time. As of December 31, 2012, the District accrued personal leave totaling \$35,478. That amount is included as liabilities in the General Fund and the Proprietary Fund.

Long-Term Obligations

In the government-wide financial statements, and in the enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type Statement of Net Position. Bonds payable are reported net of applicable bond premium, discount and cost of refunding.

Bond Cost of Refunding and Bond Premiums – Series 2006 Bonds

Bond premiums and the costs of refunding from the Series 2006 Bonds are being amortized over the respective terms of the bonds using the interest method. As of December 31, 2012, the accumulated amortization of the bond premiums is \$124,186 and the accumulated amortization of the costs of refunding is \$2,071,414.

Fund Balance and Net Position

Fund Balances

GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* effective for reporting periods after June 15, 2010. The statement established fund balance classifications, provided for a hierarchy of spending constraints for spendable resources and required disclosure for non-spendable and spendable resources. The District adopted the statement in fiscal year 2011. In the fund financial statements, the fund balances of governmental funds are as follows:

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Non-spendable – amounts that cannot be spent either because they are in non-spendable 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, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or laws or regulations of other governmental entities.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision making authority for the District. Committed fund balances may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Board's adopted policy, the Board has the authority to assign the designated fund balance for each governmental fund based on the intended use of resources by the District in the most recently adopted budget.

Unassigned – all other spendable amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, except for construction in progress, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Due to the implementation of GASB 65, the following discloses the restatement of net position as of the beginning of the fiscal year:

Net Position, beginning of year, as previously stated:	\$ 91,132,555
Decrease due to the change in accounting for bond issuance costs	<u>(616,122)</u>
Net Position, beginning of year, as restated	<u>\$ 90,516,433</u>

Comparative Data

Comparative total data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. For presentation purposes only, comparative total data for the prior year may have been reclassified.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Note 2: Cash and Investments

As of December 31, 2012, cash and investments are classified in the Statement of Net Position as follows:

	<u>2012</u>	<u>2011</u>
Restricted cash:		
Governmental activities	\$ 216,813	\$ 10,708,980
Business-type activities	3,364,205	-0-
Unrestricted cash:		
Governmental activities	2,781,771	3,512,894
Business-type activities	7,989,690	3,047,239
Total cash and investments	<u>\$ 14,352,479</u>	<u>\$ 17,269,113</u>

Cash and investments as of December 31, 2012 consist of the following:

	<u>2012</u>	<u>2011</u>
Petty cash	\$ 300	\$ 300
Deposits with financial institutions	3,666,799	4,259,189
Investments	10,685,380	13,009,624
Total	<u>\$ 14,352,479</u>	<u>\$ 17,269,113</u>

Deposits

Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of failure of a depository financial institution, the District's deposits may not be returned to it. 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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

As of December 31, 2012, the District's cash deposits had a bank balance of \$3,838,661 that was either federally insured or collateralized by PDPA.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Investments

Credit risk

The District has a formal investment policy which follows Colorado Revised Statutes (“CRS”), which specify in which investments local governments may invest. These investments include obligations of the United States and certain U.S. government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

Due to the limitations specified by CRS, the District’s investments are not subject to concentration risk disclosure requirements or subject to investment custodial credit risk.

Interest Rate Risk

CRS limit investment maturities to five years or less, unless otherwise formally approved by the Board.

As of December 31, 2012, the District’s investments consisted of the following:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federated Treasury Obligations Fund	13 months or less	\$ 21
COLOTRUST PLUS+	Weighted average Under 60 days	7,242,582
Wells Fargo Secured Institutional Money Market Account	Weighted average Under 30 days	<u>3,442,777</u>
	Total investments	<u>\$ 10,685,380</u>

Federated Treasury Obligations Fund

During 2012, the District’s funds in the trust accounts at UMB were invested in the Federated Treasury Obligations Fund (“Federated Fund”). This portfolio is a money market fund that invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the U.S. Government, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Fund is rated AAAM by Standard & Poor’s. As of December 31, 2012, the District had \$21 invested in the Federated Treasury Obligations Fund.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard and Poor’s. COLOTRUST is an investment trust/joint venture established for local governmental entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios consist of U.S. Treasury bills and notes 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 or repurchase agreements collateralized by certain obligations of U.S. Government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. As of December 31, 2012, the District had \$7,242,582 invested in COLOTRUST PLUS+.

Wells Fargo Secured Institutional Money Market Account

During 2012, the Corporation’s funds in the trust accounts at Wells Fargo Bank N.A. were invested in the Wells Fargo Secured Institutional Money Market Account. This portfolio is a money market fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the U.S. Government, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. This fund is rated AAAM by Standard & Poor’s. As of December 31, 2012, the Corporation had \$3,442,777 invested in this fund.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2012 follows:

	Balance 01-01-12	Additions	Transfers/ Deletions	Balance 12-31-12
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Land and improvements to land	\$ 45,583,416	\$ -	\$ -	\$ 45,583,416
Water storage rights	8,366,941	-	-	8,366,941
Construction-in-progress	9,370,702	-	-	9,370,702
Total capital assets not being depreciated	63,321,059	-	-	63,321,059
<u>Capital assets being depreciated:</u>				
Parking lots	202,710	-	-	202,710
Parks, buildings & equipment	2,911,764	-	-	2,911,764
Concrete trails	1,439,434	-	-	1,439,434
Asphalt trails	302,064	-	-	302,064
Irrigation systems	436,943	-	-	436,943
Office furniture & equipment	22,587	-	-	22,587
Total capital assets being depreciated	5,315,502	-	-	5,315,502
<u>Accumulated depreciation:</u>				
Parking lots	(138,512)	(13,514)	-	(152,026)
Parks, buildings & equipment	(1,317,485)	(171,167)	-	(1,488,652)
Concrete trails	(465,525)	(49,693)	-	(515,218)
Asphalt trails	(282,064)	(4,444)	-	(286,508)
Irrigation systems	(239,458)	(13,781)	-	(253,239)
Office furniture & equipment	(16,646)	(2,326)	-	(18,972)
Total accumulated depreciation	(2,459,690)	(254,925)	-	(2,714,615)
Net capital assets being depreciated	2,855,812	(254,925)	-	2,600,887
Governmental Assets, Net	\$ 66,176,871	\$ (254,925)	\$ -	\$ 65,921,946

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Business-Type Activities:	Balance 01-01-12	Additions	Transfers/ Deletions	Balance 12-31-12
<u>Capital assets not being depreciated:</u>				
Land and rights of way	\$ 103,115	\$ -	\$ -	\$ 103,115
Construction-in-progress	10,320,338	3,433,161	-	13,753,499
Total capital assets not being depreciated	10,423,453	3,433,161	-	13,856,614
<u>Capital assets being depreciated:</u>				
Buildings and improvements	6,922,807	210,000	-	7,132,807
Landscaping, fencing, electrical	3,490,640	-	-	3,490,640
Ground water rights	2,956,515	-	-	2,956,515
Distribution system	6,320,649	-	-	6,320,649
Collection system	1,480,781	-	-	1,480,781
Water tanks	2,315,656	-	-	2,315,656
Machinery & equipment	8,695,598	-	-	8,695,598
Vehicles	54,756	-	-	54,756
Developer contributions	17,226,659	-	-	17,226,659
PCWA Plant capacity	230,246	-	-	230,246
Total capital assets being depreciated	49,694,307	210,000	-	49,904,307
<u>Accumulated depreciation:</u>				
Buildings and improvements	(1,685,106)	(179,684)	-	(1,864,790)
Landscaping, fencing, electrical	(1,102,819)	(110,935)	-	(1,213,754)
Ground water rights	(249,273)	(10,896)	-	(260,169)
Distribution system	(1,095,981)	(97,611)	-	(1,193,592)
Collection system	(332,351)	(14,809)	-	(347,160)
Water tanks	(730,058)	(46,313)	-	(776,371)
Machinery & equipment	(4,996,635)	(601,181)	-	(5,597,816)
Vehicles	(33,936)	(7,394)	-	(41,330)
Developer contributions	(1,945,014)	(172,267)	-	(2,117,281)
PCWA Plant capacity	(144,923)	(11,511)	-	(156,434)
Total accumulated depreciation	(12,316,096)	(1,252,601)	-	(13,568,697)
Net capital assets being depreciated	37,378,211	(1,042,601)	-	36,335,610
Business-Type Assets, Net	<u>\$ 47,801,664</u>	<u>\$ 2,390,560</u>	<u>\$ -</u>	<u>\$ 50,192,224</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Depreciation expense for the years ending December 31, 2012 (and 2011) was charged to the functions/programs as follows:

	<u>2012</u>	<u>2011</u>
Governmental activities:		
Total depreciation expense	<u>\$ 254,925</u>	<u>\$ 295,126</u>
Business-type activities:		
Water	\$ 982,084	\$ 1,000,068
Wastewater	269,935	277,875
Storm drainage	582	2,772
Total depreciation expense	<u>\$ 1,252,601</u>	<u>\$ 1,280,715</u>

Note 4: Long-Term Debt

The following is an analysis of changes in all long-term debt for the period ending December 31, 2012:

	<u>Balance 01-01-12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-12</u>	<u>Current Portion</u>
2006A Limited Tax G.O. Fixed					
Rate Refunding Bonds	\$ 7,960,000	\$ -	\$ 1,130,000	\$ 6,830,000	\$ 1,175,000
2006B Limited Tax G.O. Fixed					
Rate Refunding Bonds	5,700,000	-	-	5,700,000	-
2006C Limited Tax G.O. Variable					
Rate Refunding Bonds	1,400,000	-	1,400,000	-	-
2008 Variable Rate Certificates of Participation	7,985,000	-	220,000	7,765,000	230,000
2009 Variable Rate Certificates of Participation	15,400,000	-	360,000	15,040,000	380,000
2010 Note Payable - Meadow Island	1,886,198	-	915,630	970,568	970,568
	<u>40,331,198</u>	<u>-</u>	<u>4,025,630</u>	<u>36,305,568</u>	<u>2,755,568</u>
2006A Refunding Bond Premium	29,390	-	7,708	21,682	6,614
2006B Refunding Bond Premium	128,034	-	8,563	119,471	8,563
	<u>\$40,488,622</u>	<u>\$ -</u>	<u>\$ 4,041,901</u>	<u>\$36,446,721</u>	<u>\$ 2,770,745</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Due to the implementation of GASB 65, the deferred loss on refunding was removed from the long-term debt payable balance at January 1, 2012 in the amount of (\$ 1,431,969) and is disclosed on the Statement of Net Position as a deferred outflow of resources.

A description of the long-term debt as of December 31, 2012, is as follows:

\$14,310,000 Limited Tax General Obligation Refunding Bonds – Series 2006A

In May 2006, the District issued \$14,310,000 of Limited Tax General Obligation Refunding Bonds, Series 2006A (“Series 2006A Bonds”). The proceeds were used to advance refund the District’s Limited Tax General Obligation Refunding Bonds, Series 2003, and the Limited Tax General Obligation Refunding Bonds, Series 2004, and to pay for the costs of issuance. The refunding resulted in the reduction of the District’s total debt service payments by approximately \$11,142,344 and provided an economic gain of approximately \$21,881. A restriction on tap fees, as pledged for debt service, was also removed. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The Series 2006A Bonds bear interest at rates ranging from 4.00% to 4.50% and are comprised of serial bonds maturing from 2006 through 2015 and term bonds due in 2018. The Series 2006A Bonds maturing on or after December 1, 2016 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on December 15, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Series 2006A Bonds maturing on December 1, 2018 are also subject to mandatory sinking fund redemption prior to the maturity date of the bonds, in part, by lot, on December 1 of each year in 2016, 2017 and 2018.

The Series 2006A Bonds are payable from the revenue derived from the imposition of an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the bonds when due, but not exceeding a maximum mill levy. The lien of the Series 2006A Bonds on such ad valorem property tax revenue will be on parity with the lien of the District’s Limited Tax General Obligation Refunding Bonds, Series 2006B, and the Limited Tax General Obligation Variable Rate Refunding Bonds, Series 2006C.

The District received a premium from the issuance of the Series 2006A Bonds in the amount of \$89,901 and incurred costs of issuance totaling \$121,366. The Series 2006A Bonds exceeded the book value of the defeased bonds by \$1,149,514. These amounts are being amortized over the life of the Series 2006A Bonds.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006A Bonds:

	Principal	Interest	Total
2013	\$ 1,175,000	\$ 290,400	\$ 1,465,400
2014	1,225,000	240,463	1,465,463
2015	1,275,000	191,463	1,466,463
2016	1,335,000	134,088	1,469,088
2017	1,390,000	77,350	1,467,350
2018	430,000	18,275	448,275
	<u>\$ 6,830,000</u>	<u>\$ 952,039</u>	<u>\$ 7,782,039</u>

\$5,700,000 Limited Tax General Obligation Refunding Bonds – Series 2006B

In May 2006, the District issued \$5,700,000 of Limited Tax General Obligation Refunding Bonds, Series 2006B (“Series 2006B Bonds”). The proceeds were used to refund a portion the District’s Limited Tax General Obligation Variable Rate Refunding Bonds, Series 1999 (“Series 1999 Bonds”), and to pay for the costs of issuance. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The Series 2006B Bonds bear interest at rates ranging from 4.50% to 5.00% and are comprised of bonds maturing in 2024, 2025, 2026 and 2027. The Series 2006B Bonds maturing on or after December 1, 2024 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on December 15, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

The District received a premium from the issuance of the Series 2006B Bonds in the amount of \$175,438 and incurred costs of issuance totaling \$66,817. The Series 2006B Bonds and the Series 2006C Bonds exceeded the book value of the refunded bonds by \$1,562,264. These amounts are being amortized over the life of the Series 2006B and Series 2006C Bonds.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006B Bonds:

	Principal	Interest	Total
2013	\$ -	\$ 284,775	\$ 284,775
2014	-	284,775	284,775
2015	-	284,775	284,775
2016	-	284,775	284,775
2017	-	284,775	284,775
2018 - 2022	-	1,423,875	1,423,875
2023 - 2027	5,700,000	1,125,550	6,825,550
	<u>\$ 5,700,000</u>	<u>\$ 3,973,300</u>	<u>\$ 9,673,300</u>

\$11,000,000 Limited Tax General Obligation Variable Rate Refunding Bonds – Series 2006C

In May 2006, the District issued \$11,000,000 of Limited Tax General Obligation Variable Rate Refunding Bonds, Series 2006C (“Series 2006C Bonds”). The proceeds were used to refund a portion the District’s Limited Tax General Obligation Variable Rate Refunding Bonds, Series 1999 (“Series 1999 Bonds”). The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

During 2012, the District made an early redemption in the amount of \$1,400,000. The District has now fully repaid the Series 2006C Bonds.

General Obligation Debt Authorization

As of December 31, 2012, the District had no authorized unissued debt. The District has not budgeted to issue any additional debt in 2013.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

\$8,585,000 Variable Rate Certificates of Participation – Series 2008

On August 28, 2008, the Corporation issued \$8,585,000 in Variable Rate Certificates of Participation (“2008 Certificates”) evidencing proportionate and undivided interests in the right to receive certain revenues payable by the District under a Lease Agreement dated August 1, 2008, as amended on May 1, 2009 (“Lease Agreement”) for the 2009 Certificates. Pursuant to the Lease Agreement, the District is obligated to pay Base Rental (assuming the District does not exercise its annual option to terminate the Lease Agreement) during the lease term to the trustee as the Corporation’s assignee and mortgage pursuant to an indenture. Base Rental represents monies required to pay the principal and interest on the 2008 Certificates when due, and any related fees for remarketing, letter of credit facility and trustee.

The 2008 Certificates bear interest in the Weekly mode at a rate determined each Wednesday by the remarketing agent, to be effective from and including each Thursday to and including the following Wednesday. The maximum interest rate on the 2008 Certificates is the lesser of: (i) the maximum rate permitted by law for the 2008 Certificates, or (ii) 10% per annum. Interest, while in the Weekly mode, is payable on the first business day of each calendar month following a month in which interest at such rate has accrued, commencing October 1, 2008.

The 2008 Certificates maturing on December 1, 2033, are subject to annual mandatory redemption beginning December 1, 2009. Any of the 2008 Certificates, while in a Variable Rate Mode, at the option of the District, are subject to redemption at a price equal to the principal amount plus accrued interest to the redemption date, without redemption premium.

The 2008 Certificates are secured by, and initially payable from, an irrevocable direct letter of credit issued by Wells Fargo Bank N.A., expiring on August 28, 2013, unless renewed, substituted or terminated.

Proceeds from the sale of the 2008 Certificates were used to: (i) acquire the right to store a volume of water in the Reuter-Hess Reservoir, including the right to deliver water into, store water within and withdraw water from the Reuter-Hess Reservoir (see Note 6); and, (ii) pay certain costs related to the issuance of the 2008 Certificates.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

The following is a summary of the annual long-term debt principal and interest requirements for the 2008 Certificates using an estimated interest rate of 3.325%:

	Principal	Interest	Total
2013	\$ 230,000	\$ 258,186	\$ 488,186
2014	240,000	250,539	490,539
2015	250,000	242,559	492,559
2016	260,000	234,246	494,246
2017	275,000	225,601	500,601
2018 - 2022	1,560,000	983,037	2,543,037
2023 - 2027	1,955,000	698,750	2,653,750
2028 - 2032	2,440,000	343,141	2,783,141
2033	555,000	18,454	573,454
	<u>\$ 7,765,000</u>	<u>\$ 3,254,513</u>	<u>\$ 11,019,513</u>

\$16,075,000 Variable Rate Certificates of Participation – Series 2009

On May 28, 2009, the Corporation issued \$16,075,000 in Variable Rate Certificates of Participation (“2009 Certificates”) evidencing proportionate and undivided interests in the right to receive certain revenues payable by the District under the Lease Agreement.

The 2009 Certificates bear interest in the Weekly mode at a rate determined each Wednesday by the remarketing agent, to be effective from and including each Thursday to and including the following Wednesday. The maximum interest rate on the 2009 Certificates is the lesser of: (i) the maximum rate permitted by law for the 2009 certificates, or (ii) 10% per annum. Interest, while in the Weekly mode, is payable on the first business day of each calendar month following a month in which interest at such rate has accrued, commencing July 1, 2009.

The 2009 Certificates are secured by an irrevocable direct letter of credit (“2009 Credit Facility”) issued by Wells Fargo Bank, N.A., expiring on May 1, 2014 unless renewed, substituted or terminated.

The 2009 Certificates maturing on December 1, 2034, are subject to annual mandatory redemption which began December 1, 2010. Any of the 2009 Certificates, while in a Variable Rate Mode, at the option of the District, are subject to redemption at a price equal to the principal amount plus accrued interest to the redemption date, without redemption premium.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Proceeds from the sale of the 2009 Certificates were used to: (i) pay or reimburse the costs of acquiring 70 acres of land and a one-half share in the Platteville Irrigation and Milling Company, and 210 acres of land and 80 shares in the Fulton Irrigating Ditch Company; (ii) pay or reimburse the costs of the acquisition, lease and construction of renewable water projects consisting of water rights, regional water transmission facilities, regional water storage facilities or regional water treatment facilities subject to approval by the 2009 Credit Facility provider; and, (iii) pay the costs related to the issuance of the 2009 Certificates.

The following is a summary of the annual long-term debt principal and interest requirements for the 2009 Certificates using an estimated interest rate of 3.325%:

	Principal	Interest	Total
2013	\$ 380,000	\$ 500,080	\$ 880,080
2014	395,000	487,445	882,445
2015	415,000	474,311	889,311
2016	440,000	460,513	900,513
2017	455,000	445,883	900,883
2018 - 2022	2,660,000	1,985,358	4,645,358
2023 - 2027	3,375,000	1,498,245	4,873,245
2028 - 2032	4,305,000	877,800	5,182,800
2033 - 2034	2,615,000	140,814	2,755,814
	<u>\$ 15,040,000</u>	<u>\$ 6,870,449</u>	<u>\$ 21,910,449</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Meadow Island and Lupton Bottom Water Shares Note Payable

During January 2010, the District entered into an Agreement for Purchase and Sale of Water Shares with Golden Dome Aggregates, LLC ("Seller"), for the purchase of shares in the Meadow Island Irrigation Company and the Lupton Bottom Ditch Company ("Shares") for \$3,950,000. Per the agreement, the District made an initial deposit of \$25,000 during 2009 and an initial payment of \$1,175,000 on the closing date of January 27, 2010. The Seller issued a promissory note in the amount of \$2,750,000 to the District which carries an annual interest rate of 6.00%. The District is required to make equal payments of \$1,028,802 on the three successive anniversary dates of the closing date. The note is secured with a Deed of Trust and an encumbrance of the Shares.

The following is a summary of the annual debt principal and interest requirements for the Share purchase using an interest rate of 6.00%:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 970,568</u>	<u>\$ 58,234</u>	<u>\$ 1,028,802</u>

Note 5: Segment Information

The District's Enterprise Fund provides water, wastewater and storm drainage services. Segment information for the year ended December 31, 2012 is as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Storm Drainage</u>	<u>Total</u>
Operating revenues	\$ 2,763,691	\$ 1,300,973	\$ 128,708	\$ 4,193,372
Depreciation	\$ 982,084	\$ 269,935	\$ 582	\$ 1,252,601
Net operating gain(loss)	\$ (763,737)	\$ (65,520)	\$ 17,740	\$ (811,517)
Capital assets	\$ 47,266,381	\$ 16,458,100	\$ 36,440	\$ 63,760,921

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Note 6: District Agreements

Hidden Pointe Metropolitan District (formerly Green Valley Water and Sanitation District)

On June 2, 1994, the District entered into an amended service agreement and an agreement regarding mill levies with the Green Valley Water and Sanitation District. The agreements provide for the District to provide water and wastewater service for up to 216 single family equivalents to the property known as the Green Valley Subdivision. 216 Valley Group, LP or its successors are required to: (i) assess additional tap fees of \$2,000 per single family equivalent through 2002 and \$2,500 thereafter payable to the District, (ii) construct all required water and wastewater mains in the property and to the District boundary, and convey such improvements to the District, (iii) impose a service charge for water and wastewater at 125% of the charges imposed by the District, and (iv) impose a mill levy of up to 51.5 mills or the actual mill levy (22 mills) assessed for debt that existed at the time of the agreement. The resulting net revenues are to be remitted to the District until the longer of (a) 30 years from initiation of payments (until 2025), or (b) 20 years from first refinancing (2016). The District received \$200,412 in 2012 for debt service related to this agreement.

Castle Pines North Golf Company

The District entered into an agreement with the Castle Pines North Golf Company ("Golf Club") on February 2, 1996, to provide and/or treat effluent for irrigation use by the Golf Club for twenty years. The Golf Club is entitled to a maximum use of 325 acre feet of water per year, at a rate of 750,000 gallons per day for the first two years from the date of the commencement without any charge. After the second anniversary of the commencement of irrigation, the Golf Club is entitled to 240 acre feet per year provided the daily maximum shall remain the same. The District received certain improvements to its systems as compensation for this agreement. The revenue related to these improvements is recognized equally over the twenty years of the agreement. During 2012, the District recorded \$35,812 of revenue related to the agreement and has \$107,419 remaining to recognize as of December 31, 2012.

Plum Creek Wastewater Authority

The District, along with the Castle Pines Metropolitan District and the Town of Castle Rock, has its wastewater treated by the Plum Creek Wastewater Authority ("PCWA"). The District has contributed \$3,496,437 for treatment capacity improvements in previous years and owns capacity in the PCWA Plant. During 2012, the PCWA charged the District \$632,959 for treatment of the District's wastewater. In March 2013, PCWA changed its name to the Plum Creek Water Reclamation Authority.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement

On August 26, 2008, the District, the Town of Castle Rock ("Town"), and Stonegate Village Metropolitan District ("Stonegate") entered into an agreement known as the Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement ("IGA") with Parker Water and Sanitation ("Parker Water"). Parker Water owns land on which it has constructed a 16,200 acre feet reservoir known as the Reuter-Hess Reservoir ("Reservoir") located in Douglas County, Colorado. During the calendar year 2008, Parker Water received a favorable Record of Decision from the Army Corp of Engineers to expand Reuter-Hess from 16,200 acre feet to nearly 72,000 acre feet.

Pursuant to the IGA, Parker Water may sell, transfer or convey a storage easement to the participating entities. The storage easement constitutes rights in real property which shall entitle each participating entity the right to store a specific volume of water in the Reservoir, including the right to deliver into, store within and withdraw from the Reservoir volumes of water on the terms and conditions set forth in the participating entity's respective storage easement deed, the IGA and their operations plan. The District purchased 1,500 acre-feet of reservoir storage capacity for \$8,318,153. The storage easement acquired by the District during 2008 is within the original 16,200 acre-foot Reservoir.

Also pursuant to the IGA, Parker Water will establish an outlet structures escrow in the amount of \$7,800,000 for the benefit of the participating entities for the construction of two outlet facilities which will enable the Reservoir to operate as designed. Additionally, the IGA requires Parker Water to (i) expand the Reservoir in accordance with applicable permits, and (ii) enlarge the Reservoir's outlet pipe to accommodate the participating entities individual outlet capacities. Parker Water completed the expansion of the Reservoir, including the construction of the outlet structures, in January 2012, within the timeframe allowed in the IGA.

Hock Hocking Water Rights

In March 2010, the District closed a Purchase and Sale Agreement with the Mount Carbon Metropolitan District ("Mount Carbon") for the purchase of shares of Hock Hocking Mine water rights for \$7,011,000. Under the agreement, the District paid \$1,428,000 directly to Mount Carbon, who then paid Aggregate Industries in connection with Mount Carbon's purchase of 102 water taps. The District has a security interest in those taps.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Note 7: Employee Pension and Healthcare Benefit Plans

Defined Benefit Pension Plan

The District contributes to the Municipal Division Trust Fund (“MDTF”), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The MDTF provides retirement and disability, annual increases, and death benefits for members and their beneficiaries. All employees of the District are members of the MDTF. Plan members and the District are required to contribute to the MDTF at a rate set by Colorado State Statute. The contribution requirements of plan members and the District are established under Title 24, Article 51 of the CRS, as amended. The contribution rate for members and the District is 8.0% and 13.7%, respectively, of covered salary. A portion of the District’s contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund.

Postemployment Healthcare Benefits

The District contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by Colorado State Statute. No member contributions are required.

The District’s contributions to MDTF and HCTF for the years ended December 31, 2011 and 2012 were \$63,830 and \$71,131, respectively, equal to the required contribution for each year.

Defined Contribution Pension Plan

The MDTF members of the District may voluntarily contribute to the Voluntary Investment Program (“401(k) Plan”), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from other payments made to PERA.

The 401(k) Plan is funded by voluntary member contributions up to a maximum limit set annually by the IRS. The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The 401(k) Plan member contributions from the District for the years ended December 31, 2011 and 2012 were \$12,404 and \$15,281, respectively.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Basis of Accounting for the MDTF and HCTF

The financial statements of the MDTF and HCTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the members and the employer is statutorily committed to pay these contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The MDTF plan and HCTF plan investments are presented at fair value, except for short-term investments, which are recorded at cost.

Title 24, Article 51 of the CRS, as amended, assigns the authority to establish benefit provisions to the Colorado State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the MDTF and the HCTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, CO 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA.

Note 8: TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (“Amendment”), commonly known as the Taxpayer Bill of Rights (“TABOR”), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District established an Emergency Reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2012, the Emergency Reserve of \$140,000 was recorded in the General Fund.

Note 9: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on a basis proportionate to other 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 10: District Dissolution

On February 5, 2010, the City of Castle Pines ("City") filed an Application for Dissolution with the District Court in and for Douglas County ("District Court") to require the District to commence the process of dissolution ("Dissolution"). As required, the District filed a Petition for Dissolution and Request for Continuance on April 5, 2010 in order to formulate a plan for Dissolution, which was granted by the District Court, as were all subsequent Requests for Continuance. In February 2012, after new City Council members were elected in November 2011, and after holding two public hearings on the matter, the City Council voted to terminate the Dissolution proceedings. The City and the District then filed a joint motion to dismiss the Dissolution proceedings, which the District Court granted on February 28, 2012.

Note 11: Interfund Transfers

During 2012, the District transferred \$10,364,205 from the General Fund to the Water Enterprise Fund. These funds included the proceeds from the 2009 Certificates of Participation that were being held by Wells Fargo. The funds were made available to be used for the construction of an interconnect pipeline. Also during 2012, the District transferred \$1,024 from the General Fund to the Debt Service fund for debt service payments.

Note 12: Subsequent Events

The District has evaluated subsequent events through July 15, 2013, 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

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	2012				2011
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES					
Property taxes	\$ 2,472,853	\$ 2,472,853	\$ 2,460,619	\$ (12,234)	\$ 2,782,036
Specific ownership taxes	358,564	406,773	409,994	3,221	397,722
Conservation Trust Fund	39,100	41,000	44,828	3,828	41,754
Farm land revenue	26,000	26,000	26,000	-	26,000
Lease income	80,100	80,100	80,712	612	82,851
Oil royalty income	15,000	12,805	13,494	689	14,495
Water lease income	10,000	-	-	-	-
Base Rental income	1,274,363	1,274,363	943,446	(330,917)	931,000
Investment income	11,146	14,024	14,627	603	13,033
Miscellaneous income	8,500	11,500	12,113	613	12,818
Total Revenues	<u>4,295,626</u>	<u>4,339,418</u>	<u>4,005,833</u>	<u>(333,585)</u>	<u>4,301,709</u>
EXPENDITURES					
General government					
Salaries and wages	237,070	243,124	226,478	16,646	240,444
Employee benefits and taxes	75,198	69,145	67,072	2,073	65,904
Accounting, audit, election and legal	174,500	174,500	237,735	(63,235)	143,072
Dissolution expenses	125,000	125,000	25,098	99,902	291,499
Other professional services	212,018	212,017	217,841	(5,824)	179,874
Utilities	36,720	36,720	35,574	1,146	35,030
Insurance	20,259	20,259	20,106	153	19,669
County Collection Fees	37,093	37,093	36,942	151	41,784
Memberships, training and subscriptions	6,650	7,150	4,667	2,483	4,586
Other office expenses	45,600	45,100	41,699	3,401	38,914
Repairs and maintenance	62,300	62,300	60,634	1,666	49,859
Base Rental expense	1,274,363	1,274,363	943,446	330,917	931,000
Contingency	100,000	100,000	-	100,000	-
Total General Government	<u>2,406,771</u>	<u>2,406,771</u>	<u>1,917,292</u>	<u>489,479</u>	<u>2,041,635</u>
Parks and Open Space					
Landscape maintenance contract	312,000	312,000	310,844	1,156	328,141
Landscape supplies	10,000	10,000	9,638	362	9,520
Repairs and maintenance	299,180	299,180	301,076	(1,896)	305,940
Utilities	42,000	42,000	39,658	2,342	39,927
Park services	8,950	8,950	7,221	1,729	7,753
Fire mitigation	20,000	20,000	-	20,000	-
Total Parks and Open Space	<u>692,130</u>	<u>692,130</u>	<u>668,437</u>	<u>23,693</u>	<u>691,281</u>
Debt Service					
2008 Certificates of Participation - principal/interest	339,775	339,775	237,404	102,371	231,098
2009 Certificates of Participation - principal/interest	591,000	591,000	393,567	197,433	385,601
LOC and other banking fees	313,000	313,000	307,323	5,677	314,500
Remarketing fees	30,588	30,588	29,311	1,277	29,925
Total Debt Service	<u>1,274,363</u>	<u>1,274,363</u>	<u>967,605</u>	<u>306,758</u>	<u>961,124</u>
Capital outlay	7,207,996	7,207,996	-	7,207,996	-
Total Expenditures	<u>11,581,260</u>	<u>11,581,260</u>	<u>3,553,334</u>	<u>8,027,926</u>	<u>3,694,040</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,285,634)	(7,241,842)	452,499	7,694,341	607,669
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	-	7,000,000	-	(7,000,000)	-
Transfer (to) other funds	-	(7,000,000)	(10,365,229)	(3,365,229)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(10,365,229)</u>	<u>(10,365,229)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(7,285,634)	(7,241,842)	(9,912,730)	(2,670,888)	607,669
FUND BALANCE:					
BEGINNING OF YEAR	<u>12,321,726</u>	<u>12,560,602</u>	<u>12,560,602</u>	<u>-</u>	<u>11,952,933</u>
END OF YEAR	<u>\$ 5,036,092</u>	<u>\$ 5,318,760</u>	<u>\$ 2,647,872</u>	<u>\$ (2,670,888)</u>	<u>\$ 12,560,602</u>

The notes to the financial statements are an integral part of these statements.

SUPPLEMENTAL INFORMATION

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DEBT SERVICE FUND

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	2012				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2011 Actual
REVENUES					
Property taxes	\$ 2,863,303	\$ 2,863,303	\$ 2,849,137	\$ (14,166)	\$ 3,221,305
Intergovernmental revenues	204,200	204,200	200,412	(3,788)	234,781
Investment income	2,300	2,280	2,455	175	2,940
Total Revenues	<u>3,069,803</u>	<u>3,069,783</u>	<u>3,052,004</u>	<u>(17,779)</u>	<u>3,459,026</u>
EXPENDITURES					
County Collection Fees	42,950	42,950	42,775	175	48,382
Bond principal	2,230,000	2,530,000	2,530,000	-	2,885,000
Bond interest	687,200	626,094	626,304	(210)	675,113
Other long-term debt expenses	34,600	30,000	20,617	9,383	29,705
Total Expenditures	<u>2,994,750</u>	<u>3,229,044</u>	<u>3,219,696</u>	<u>9,348</u>	<u>3,638,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	75,053	(159,261)	(167,692)	(8,431)	(179,174)
OTHER FINANCING SOURCES (USES)					
Transfer (to) from other funds	-	-	1,024	1,024	-
Total Other Financing Sources (Uses)	-	-	1,024	1,024	-
NET CHANGE IN FUND BALANCE	75,053	(159,261)	(166,668)	(7,407)	(179,174)
FUND BALANCE:					
BEGINNING OF YEAR	<u>136,607</u>	<u>166,668</u>	<u>166,668</u>	-	<u>345,842</u>
END OF YEAR	<u>\$ 211,660</u>	<u>\$ 7,407</u>	<u>\$ -</u>	<u>\$ (7,407)</u>	<u>\$ 166,668</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) ENTERPRISE FUNDS

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	2012				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	2011 Actual
REVENUES					
Water charges	\$ 2,466,382	\$ 2,795,812	\$ 2,763,691	\$ (32,121)	\$ 2,760,060
Wastewater charges	1,653,295	1,653,295	1,300,973	(352,322)	1,310,408
Storm drainage charges	125,756	128,500	128,708	208	127,232
Investment income	6,680	12,945	14,156	1,211	6,502
Capital improvement fees	1,141,532	1,157,000	1,159,336	2,336	1,147,377
Connect fees	55,000	283,500	283,500	-	443,695
Insurance proceeds	-	-	87,300	87,300	19,218
Transfer from General Fund	-	7,000,000	10,364,205	3,364,205	-
Total Revenues	<u>5,448,645</u>	<u>13,031,052</u>	<u>16,101,869</u>	<u>3,070,817</u>	<u>5,814,492</u>
EXPENDITURES					
Water Operations					
General overhead	221,455	584,238	701,563	(117,325)	306,347
Salaries and wages	141,906	145,406	137,615	7,791	132,552
Employee benefits and taxes	59,533	57,343	52,689	4,654	50,946
Memberships, training and subscriptions	3,100	3,100	1,972	1,128	368
Engineering	40,000	40,000	36,395	3,605	5,891
Repairs and maintenance	480,000	475,500	453,669	21,831	420,324
Utilities	984,100	1,004,600	922,721	81,879	903,157
Equipment and supplies	38,000	42,600	45,462	(2,862)	43,859
Treatment costs	20,000	20,000	20,000	-	19,243
Water rebates	20,000	20,000	20,000	-	16,301
Other projects	214,965	85,997	153,258	(67,261)	118,889
	<u>2,223,059</u>	<u>2,478,784</u>	<u>2,545,344</u>	<u>(66,560)</u>	<u>2,017,877</u>
Wastewater Operations					
General overhead	92,490	92,490	105,017	(12,527)	83,711
Salaries and wages	119,753	119,753	114,900	4,853	110,057
Employee benefits and taxes	50,739	50,916	42,577	8,339	41,535
Memberships, training and subscriptions	1,500	1,500	755	745	155
Engineering	20,000	20,000	12,617	7,383	23,593
Repairs and maintenance	513,045	513,045	100,864	412,181	124,744
Utilities	75,900	75,900	67,959	7,941	66,334
Equipment, supplies & other projects	8,300	8,300	18,910	(10,610)	35,973
Treatment costs	632,959	632,959	632,959	-	742,777
	<u>1,514,686</u>	<u>1,514,863</u>	<u>1,096,558</u>	<u>418,305</u>	<u>1,228,879</u>
Storm Drainage Operations					
General overhead	25,899	25,899	19,858	6,041	18,202
Salaries and wages	27,467	27,467	26,146	1,321	24,005
Employee benefits and taxes	11,801	11,800	10,601	1,199	10,294
Memberships, training and subscriptions	-	-	186	(186)	-
Repairs and maintenance	51,000	51,000	51,371	(371)	15,032
Utilities	-	-	40	(40)	-
Equipment, supplies & other projects	2,000	2,000	2,184	(184)	2,299
	<u>118,167</u>	<u>118,166</u>	<u>110,386</u>	<u>7,780</u>	<u>69,832</u>
Capital Outlay	<u>2,109,928</u>	<u>4,600,133</u>	<u>3,643,161</u>	<u>956,972</u>	<u>4,489,523</u>
Total Expenditures	<u>5,965,840</u>	<u>8,711,946</u>	<u>7,395,449</u>	<u>1,316,497</u>	<u>7,806,111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>\$ (517,195)</u>	<u>\$ 4,319,106</u>	<u>\$ 8,706,420</u>	<u>\$ 4,387,314</u>	<u>\$ (1,991,619)</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

RECONCILIATION OF THE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ENTERPRISE FUNDS

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
Deficiency of revenues over expenditures	\$ 8,706,420	\$ (1,991,619)
Add capital expenditures which are not expenses	3,643,161	4,489,523
Deduct accrued note interest which is an expense	(62,298)	(117,005)
Deduct depreciation which is an expense	<u>(1,252,601)</u>	<u>(1,280,715)</u>
Changes in Net Position per the Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 11,034,682</u>	<u>\$ 1,100,184</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

ENTERPRISE FUNDS - SEGMENT DETAILS

For the Year Ended December 31, 2012

	Water	Wastewater	Storm Drainage	2012 Total
OPERATING REVENUES				
Water charges	\$ 2,763,691	\$ -	\$ -	\$ 2,763,691
Wastewater charges	-	1,300,973	-	1,300,973
Storm drainage charges	-	-	128,708	128,708
Total Operating Revenues	<u>2,763,691</u>	<u>1,300,973</u>	<u>128,708</u>	<u>4,193,372</u>
OPERATING EXPENSES				
Water Operations				
General overhead	701,563	-	-	701,563
Salaries and wages	137,615	-	-	137,615
Employee benefits and taxes	52,689	-	-	52,689
Memberships, training and subscriptions	1,972	-	-	1,972
Engineering	36,395	-	-	36,395
Repairs and maintenance	453,669	-	-	453,669
Utilities	922,721	-	-	922,721
Equipment and supplies	45,462	-	-	45,462
Treatment costs	20,000	-	-	20,000
Water rebates	20,000	-	-	20,000
Other projects	153,258	-	-	153,258
Total Water Operations	<u>2,545,344</u>	<u>-</u>	<u>-</u>	<u>2,545,344</u>
Wastewater Operations				
General overhead	-	105,017	-	105,017
Salaries and wages	-	114,900	-	114,900
Employee benefits and taxes	-	42,577	-	42,577
Memberships, training and subscriptions	-	755	-	755
Engineering	-	12,617	-	12,617
Repairs and maintenance	-	100,864	-	100,864
Utilities	-	67,959	-	67,959
Equipment, supplies & other projects	-	18,910	-	18,910
Treatment costs	-	632,959	-	632,959
Total Wastewater Operations	<u>-</u>	<u>1,096,558</u>	<u>-</u>	<u>1,096,558</u>
Storm Drainage Operations				
General overhead	-	-	19,858	19,858
Salaries and wages	-	-	26,146	26,146
Employee benefits and taxes	-	-	10,601	10,601
Memberships, training and subscriptions	-	-	186	186
Repairs and maintenance	-	-	51,371	51,371
Utilities	-	-	40	40
Equipment, supplies & other projects	-	-	2,184	2,184
Total Storm Drainage Operations	<u>-</u>	<u>-</u>	<u>110,386</u>	<u>110,386</u>
Depreciation	<u>982,084</u>	<u>269,935</u>	<u>582</u>	<u>1,252,601</u>
Total Operating Expenses	<u>3,527,428</u>	<u>1,366,493</u>	<u>110,968</u>	<u>5,004,889</u>
INCOME (LOSS) FROM OPERATIONS	<u>(763,737)</u>	<u>(65,520)</u>	<u>17,740</u>	<u>(811,517)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	9,314	4,515	327	14,156
Capital improvement fees	1,076,200	83,136	-	1,159,336
Connect fees	250,500	33,000	-	283,500
Insurance proceeds	87,300	-	-	87,300
Accrued note interest	(62,298)	-	-	(62,298)
Non-Operating Revenues (Expenses)	<u>1,361,016</u>	<u>120,651</u>	<u>327</u>	<u>1,481,994</u>
NET INCOME BEFORE OPERATING TRANSFERS	597,279	55,131	18,067	670,477
Operating transfers in	10,364,205	-	-	10,364,205
NET INCOME (LOSS) - CHANGE IN NET POSITION	10,961,484	55,131	18,067	11,034,682
NET POSITION - BEGINNING OF YEAR (RESTATED)	<u>46,955,314</u>	<u>1,780,902</u>	<u>102,538</u>	<u>48,838,754</u>
NET POSITION - END OF YEAR	<u>\$ 57,916,798</u>	<u>\$ 1,836,033</u>	<u>\$ 120,605</u>	<u>\$ 59,873,436</u>

The notes to the financial statements are an integral part of these statements.

CONTINUING DISCLOSURE

ANNUAL FINANCIAL INFORMATION

REQUIRED BY THE GENERAL OBLIGATION BONDS, SERIES 2006

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

TABLE III (Series 2006A)
History of District Assessed Valuation

<u>Levy/Collection Year</u>	<u>Assessed Valuation¹</u>	<u>Increase or (Decrease)</u>	<u>Percentage Change</u>
1998/1999	24,659,740	4,412,800	21.79%
1999/2000	36,744,570	12,084,830	49.01%
2000/2001	45,004,340	8,259,770	22.48%
2001/2002	68,640,316	23,635,976	52.52%
2002/2003	86,819,810	18,179,494	26.49%
2003/2004	110,893,170	24,073,360	27.73%
2004/2005	114,573,850	3,680,680	3.32%
2005/2006	125,207,050	10,633,200	9.28%
2006/2007	128,057,598	2,850,548	2.28%
2007/2008	136,796,755	8,739,157	6.82%
2008/2009	138,095,490	1,298,735	0.95%
2009/2010	145,738,180	7,642,690	5.53%
2010/2011	146,720,630	982,450	0.67%
2011/2012	130,150,150	(16,570,480)	-11.29%
2012/2013	130,612,920	462,770	0.36%

¹ Includes New Growth Assessed Valuation

Source: Douglas County Assessor's Office

TABLE V (Series 2006A)
Historical Property Tax Collections

<u>Levy/Collection Year</u>	<u>Total Taxes Levied</u>	<u>Tax Collections¹</u>	<u>Percentage of Tax Collections to Levied²</u>
1998/1999	1,645,733	1,609,653	97.81%
1999/2000	2,351,652	2,265,559	96.34%
2000/2001	2,880,278	2,846,242	98.82%
2001/2002	3,313,387	3,292,244	99.36%
2002/2003	3,720,539	3,715,679	99.87%
2003/2004	4,665,070	4,647,347	99.62%
2004/2005	4,926,732	4,848,795	98.42%
2005/2006	5,304,433	5,284,384	99.62%
2006/2007	5,465,795	5,477,493	100.21%
2007/2008	5,845,438	5,830,278	99.74%
2008/2009	5,938,106	5,929,404	99.85%
2009/2010	5,975,265	5,959,166	99.73%
2010/2011	6,015,546	6,003,341	99.80%
2011/2012	5,336,156	5,309,756	99.51%

¹ Figures include current and delinquent tax collections, penalties, and (prior to 2010) interest. Treasurer's fees have not been deducted from these amounts.

² The District believes that substantially all of the differences between its taxes levied and collected are the result of tax abatements and refunds, not from unpaid or delinquent taxes.

Source: District audited financial statements and the District

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

TABLE IV (Series 2006B) & TABLE III (Series 2006C)
Assessed and "Actual" Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Residential	\$ 108,049,760	82.73%	\$ 1,357,428,005	94.58%
Commercial	16,004,870	12.25%	55,189,267	3.85%
Vacant	3,017,000	2.31%	10,404,346	0.72%
State Assessed	189,420	0.15%	654,481	0.05%
Agricultural	1,070	0.00%	3,737	0.00%
Other Natural Resources	590	0.00%	2,025	0.00%
Personal Property	3,350,210	2.56%	11,545,286	0.80%
Total	<u>\$ 130,612,920</u>	<u>100.00%</u>	<u>\$ 1,435,227,147</u>	<u>100.00%</u>

Source: Douglas County Assessor's Office -> Taxing Authorities -> Abstract & Certification Listings

TABLE XII (Series 2006A)
Estimated Overlapping General Obligation Debt

Overlapping Entity	Outstanding General Obligation Debt	Percentage Applicable to District	Amount Applicable to District
Douglas County School District RE1	\$ 509,211,093	3.20%	\$ 16,294,755

Source: Douglas County School District RE-1 CAFR, Statistical Section

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

TABLE VIII (Series 2006A & B) & TABLE VII (Series 2006C)
History of General Fund Revenues, Expenditures and Changes in Fund Balances

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES					
Property taxes	\$ 2,576,169	\$ 2,619,969	\$ 2,765,312	\$ 2,782,036	\$ 2,460,619
HB 1006 property taxes	10,811	-	-	-	-
Specific ownership taxes	499,231	444,704	407,733	397,722	409,994
Conservation trust fund	42,000	39,760	38,381	41,754	44,828
Lease income	61,830	111,625	122,648	123,346	120,206
Base Rental income	100,000	575,000	870,000	931,000	943,446
Investment income	163,999	29,995	2,065	13,033	14,627
Miscellaneous income	<u>10,039</u>	<u>11,274</u>	<u>12,244</u>	<u>12,818</u>	<u>12,113</u>
Total Revenues	<u>3,464,079</u>	<u>3,832,327</u>	<u>4,218,383</u>	<u>4,301,709</u>	<u>4,005,833</u>
EXPENDITURES					
General government	1,212,537	2,098,823	2,857,179	3,002,759	2,884,897
Public works/parks	750,654	1,829,941	679,376	691,281	668,437
Capital outlay	<u>8,623,025</u>	<u>11,320,982</u>	<u>34,641</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>10,586,216</u>	<u>15,249,746</u>	<u>3,571,196</u>	<u>3,694,040</u>	<u>3,553,334</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(7,122,137)	(11,417,419)	647,187	607,669	452,499
OTHER FINANCING SOURCES (USES)					
Proceeds from 2008 Certificates of Participation	8,585,000	-	-	-	-
Proceeds from 2009 Certificates of Participation	-	16,075,000	-	-	-
Transfer (to) other funds	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>(10,365,229)</u>
Total Other Financing Sources (Uses)	<u>8,085,000</u>	<u>15,575,000</u>	<u>-</u>	<u>-</u>	<u>(10,365,229)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	962,863	4,157,581	647,187	607,669	(9,912,730)
FUND BALANCE - BEGINNING OF YEAR					
	<u>6,185,302</u>	<u>7,148,165</u>	<u>11,305,746</u>	<u>11,952,933</u>	<u>12,560,602</u>
FUND BALANCE - END OF YEAR					
	<u>\$ 7,148,165</u>	<u>\$ 11,305,746</u>	<u>\$ 11,952,933</u>	<u>\$ 12,560,602</u>	<u>\$ 2,647,872</u>

Source: District's 2008 - 2012 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

TABLE IX (Series 2006A & B) & TABLE VIII (Series 2006C)
History of Debt Service Fund Revenues, Expenditures and Changes in Fund Balances

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
REVENUES					
Property taxes	\$ 3,254,108	\$ 3,309,435	\$ 3,201,940	\$ 3,221,305	\$ 2,849,137
HB 1006 property taxes	13,656	-	-	-	-
Investment income	37,908	9,747	773	2,940	2,455
Hidden Pointe Taxes	<u>250,536</u>	<u>244,389</u>	<u>243,446</u>	<u>234,781</u>	<u>200,412</u>
Total Revenues	<u>3,556,208</u>	<u>3,563,571</u>	<u>3,446,159</u>	<u>3,459,026</u>	<u>3,052,004</u>
EXPENDITURES					
General government ¹	49,858	49,731	48,029	48,382	42,775
Debt service - principal & interest	3,217,147	3,683,017	3,363,651	3,560,113	3,156,304
Debt service - other related	<u>79,169</u>	<u>56,113</u>	<u>45,782</u>	<u>29,705</u>	<u>20,617</u>
Total Expenditures	<u>3,346,174</u>	<u>3,788,861</u>	<u>3,457,462</u>	<u>3,638,200</u>	<u>3,219,696</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	210,034	(225,290)	(11,303)	(179,174)	(167,692)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,024</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	210,034	(225,290)	(11,303)	(179,174)	(166,668)
FUND BALANCE - BEGINNING OF YEAR	<u>372,401</u>	<u>582,435</u>	<u>357,145</u>	<u>345,842</u>	<u>166,668</u>
FUND BALANCE - END OF YEAR	<u>\$ 582,435</u>	<u>\$ 357,145</u>	<u>\$ 345,842</u>	<u>\$ 166,668</u>	<u>\$ -</u>

¹ Expenditures for General Government represent the county treasurer's fees for property tax collection.

Source: District's 2008 - 2012 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

TABLE X (Series 2006A & B) & TABLE IX (Series 2006C)
General Fund Budget Summary and Comparison

	<u>2013 Budget</u>	<u>2012 Budget</u>	<u>2012 Actual</u>
REVENUES			
Property taxes	\$ 2,481,645	\$ 2,472,853	\$ 2,460,619
Specific ownership taxes	374,859	406,773	409,994
Conservation trust fund	41,000	41,000	44,828
Lease income	106,000	118,905	120,206
Base Rental income	1,180,281	1,274,363	943,446
Investment income	10,137	14,024	14,627
Proceeds from sale of assets	-	7,000,000	-
Miscellaneous income	<u>10,000</u>	<u>11,500</u>	<u>12,113</u>
Total Revenues	<u>4,203,922</u>	<u>11,339,418</u>	<u>4,005,833</u>
EXPENDITURES			
General government	2,969,891	3,581,133	2,884,897
Public works/parks	998,984	692,130	668,437
Conservation trust fund	253,887	7,207,996	-
Capital outlay	270,000	-	-
Contingency	65,000	100,000	-
Emergency reserve	105,000	-	-
Transfer to Debt Service Fund	-	-	1,024
Transfer to Enterprise Fund	<u>-</u>	<u>7,000,000</u>	<u>10,364,205</u>
Total Expenditures	<u>4,662,762</u>	<u>18,581,259</u>	<u>13,918,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(458,840)	(7,241,841)	(9,912,730)
FUND BALANCE - BEGINNING OF YEAR	<u>5,843,312</u>	<u>12,560,602</u>	<u>12,560,602</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,384,472</u>	<u>\$ 5,318,761</u>	<u>\$ 2,647,872</u>

Note: General Fund includes Conservation Trust Fund.

Source: District's 2012 audited Financial Statements and the District's 2012 and 2013 Budgets.

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

TABLE X (Series 2006A & B) & TABLE IX (Series 2006C)
Debt Service Fund Budget Summary and Comparison

	<u>2013 Budget</u>	<u>2012 Budget</u>	<u>2012 Actual</u>
REVENUES			
Property taxes	\$ 2,873,484	\$ 2,863,303	\$ 2,849,137
Investment income	3,232	2,280	2,455
Hidden Pointe taxes	204,396	204,200	200,412
Transfer from Other Funds	<u>-</u>	<u>-</u>	<u>1,024</u>
Total Revenues	<u>3,081,112</u>	<u>3,069,783</u>	<u>3,053,028</u>
EXPENDITURES			
County treasurer's fees	43,102	42,950	42,775
Bond principal	1,175,000	2,530,000	2,530,000
Bond interest	575,175	626,094	626,304
Paying agent fees	5,000	5,000	4,550
Letter of credit fees	-	20,000	14,050
Remarketing fees	-	5,000	2,017
Reserved for early debt payoff	<u>1,280,000</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>3,078,277</u>	<u>3,229,044</u>	<u>3,219,696</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	2,835	(159,261)	(166,668)
FUND BALANCE - BEGINNING OF YEAR	<u>7,452</u>	<u>166,668</u>	<u>166,668</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,287</u>	<u>\$ 7,407</u>	<u>\$ -</u>

Source: District's 2012 audited Financial Statements and the District's 2012 and 2013 Budgets.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2011

with

Independent Auditors' Report

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Board of Directors
Castle Pines North Metropolitan District
Douglas County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Castle Pines North Metropolitan District, Douglas County, Colorado, 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 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and each major fund of the Castle Pines North Metropolitan District, as of December 31, 2011, and the respective changes in financial position and cash flows, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principals generally accepted in the United States of America.

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

The continuing disclosure annual financial information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Simmons & Wheeler P.C.

May 31, 2012

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET ASSETS

December 31, 2011

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 3,512,894	\$ 3,047,239	\$ 6,560,133
Cash and investments - restricted	10,708,980	-	10,708,980
Taxes receivable - current	30,703	-	30,703
Taxes receivable - deferred	5,336,156	-	5,336,156
Accounts receivable - services	-	409,376	409,376
Accounts receivable - other	-	164,148	164,148
Total Current Assets	<u>19,588,733</u>	<u>3,620,763</u>	<u>23,209,496</u>
NON-CURRENT ASSETS			
Capital assets, net of accumulated depreciation	66,176,871	47,801,664	113,978,535
Bond costs of issuance, net of amortization	616,122	-	616,122
Total Non-current Assets	<u>66,792,993</u>	<u>47,801,664</u>	<u>114,594,657</u>
Total Assets	<u>86,381,726</u>	<u>51,422,427</u>	<u>137,804,153</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	1,510,416	-	1,510,416
Retainage payable	-	288,287	288,287
Accrued compensated absences	12,391	19,376	31,767
Payable to Parks Authority	2,500	-	2,500
Deferred property taxes	5,336,156	-	5,336,156
Reserve for reimbursement	-	16,795	16,795
Deferred water lease revenue	-	124,985	124,985
Deferred revenue - less than one year	-	35,812	35,812
Accrued interest payable on long-term debt	56,007	104,800	160,807
Long-term debt payable - less than one year	1,536,757	915,630	2,452,387
Total Current Liabilities	<u>8,454,227</u>	<u>1,505,685</u>	<u>9,959,912</u>
LONG-TERM LIABILITIES			
Deferred revenue - greater than one year	-	107,420	107,420
Long-term debt payable, net of premium - greater than one year	35,633,698	970,568	36,604,266
Total Long-term Liabilities	<u>35,633,698</u>	<u>1,077,988</u>	<u>36,711,686</u>
Total Liabilities	<u>44,087,925</u>	<u>2,583,673</u>	<u>46,671,598</u>
NET ASSETS			
Invested in capital assets, net of related debt	29,006,416	47,801,664	76,808,080
Restricted for:			
Emergency Reserve	110,000	-	110,000
Debt service	110,661	-	110,661
Capital projects	10,359,586	-	10,359,586
Conservation Trust Fund	171,253	-	171,253
Unrestricted	<u>2,535,885</u>	<u>1,037,090</u>	<u>3,572,975</u>
Total Net Assets	<u>\$ 42,293,801</u>	<u>\$ 48,838,754</u>	<u>\$ 91,132,555</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

Functions/Programs	Total Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			2010
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 2,732,916	\$ 82,851	\$ 971,495	\$ -	\$ (1,678,570)	\$ -	\$ (1,678,570)
Intergovernmental revenues	-	-	276,535	-	276,535	-	276,535
Interest and related costs on long-term debt	1,392,069	-	-	-	(1,392,069)	-	(1,392,069)
Depreciation	295,126	-	-	-	(295,126)	-	(295,126)
Total Governmental Activities	4,420,111	82,851	1,248,030	-	(3,089,230)	-	(3,089,230)
Business-Type Activities:							
Water	3,134,950	2,760,060	-	1,477,984	-	1,103,094	1,103,094
Wastewater	1,506,754	1,310,408	-	113,088	-	(83,258)	(83,258)
Storm drainage	72,604	127,232	-	-	-	54,628	54,628
Total Business-Type Activities	4,714,308	4,197,700	-	1,591,072	-	1,074,464	1,074,464
Total	\$ 9,134,419	\$ 4,280,551	\$ 1,248,030	\$ 1,591,072	(3,089,230)	1,074,464	(2,014,766)
General Revenues:							
Property taxes					6,003,341	-	6,003,341
Specific ownership taxes					397,722	-	397,722
Miscellaneous income					12,818	19,218	32,036
Interest income					15,973	6,502	22,475
Total General Revenues					6,429,854	25,720	6,455,574
Change in Net Assets					3,340,624	1,100,184	4,440,808
Net Assets - Beginning					38,953,177	47,738,570	86,691,747
Net Assets - Ending					\$ 42,293,801	\$ 48,838,754	\$ 91,132,555

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2011

With Comparative Totals for December 31, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental 2011</u>	<u>Total Governmental 2010</u>
ASSETS				
Cash and investments	\$ 3,512,894	\$ -	\$ 3,512,894	\$ 1,692,688
Cash and investments - restricted	10,530,840	178,140	10,708,980	10,933,762
Taxes receivable - current	30,703	-	30,703	27,312
Taxes receivable - deferred	2,472,853	2,863,303	5,336,156	6,015,546
Accounts receivable - other	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,134</u>
Total Assets	<u>\$ 16,547,290</u>	<u>\$ 3,041,443</u>	<u>19,588,733</u>	<u>18,676,442</u>
LIABILITIES				
Accounts payable	\$ 1,498,944	\$ 11,472	1,510,416	343,344
Accrued compensated absences	12,391	-	12,391	18,777
Payable to Parks Authority	2,500	-	2,500	-
Deferred property taxes	<u>2,472,853</u>	<u>2,863,303</u>	<u>5,336,156</u>	<u>6,015,546</u>
Total Liabilities	<u>3,986,688</u>	<u>2,874,775</u>	<u>6,861,463</u>	<u>6,377,667</u>
FUND BALANCES:				
Restricted for:				
Emergency Reserve	110,000	-	110,000	105,000
Debt service	-	166,668	166,668	345,842
Capital projects	10,359,586	-	10,359,586	10,354,915
Conservation Trust Fund	171,253	-	171,253	129,343
Assigned	118,690	-	118,690	-
Unassigned	<u>1,801,073</u>	<u>-</u>	<u>1,801,073</u>	<u>1,363,675</u>
Total Fund Balance	<u>12,560,602</u>	<u>166,668</u>	<u>12,727,270</u>	<u>12,298,775</u>
Total Liabilities and Fund Balance	<u>\$ 16,547,290</u>	<u>\$ 3,041,443</u>		

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	66,176,871	66,471,997
The funds report bond issue costs as expenditures at the time the costs are incurred, but the Statement of Net Assets reports these costs as a deferred asset, which is amortized over the life of the bonds	616,122	672,037
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:		
Bonds payable, net of bond refunding costs and premiums	(37,170,455)	(40,425,563)
Accrued interest payable - long-term debt	<u>(56,007)</u>	<u>(64,069)</u>
Net Assets of Governmental Activities	<u>\$ 42,293,801</u>	<u>\$ 38,953,177</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

With Comparative Totals For the Year Ended December 31, 2010

	2011			2010 <u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	
REVENUES				
Property taxes	\$ 2,782,036	\$ 3,221,305	\$ 6,003,341	\$ 5,967,252
Specific ownership taxes	397,722	-	397,722	407,733
Intergovernmental revenues	41,754	234,781	276,535	281,827
Farm land revenue	26,000	-	26,000	26,000
Lease income	82,851	-	82,851	80,370
Oil royalty income	14,495	-	14,495	16,278
Base Rental income	931,000	-	931,000	870,000
Investment income	13,033	2,940	15,973	2,838
Miscellaneous income	12,818	-	12,818	12,244
Total Revenues	<u>4,301,709</u>	<u>3,459,026</u>	<u>7,760,735</u>	<u>7,664,542</u>
EXPENDITURES				
General government	2,041,635	48,382	2,090,017	1,963,134
Parks and Open Space	691,281	-	691,281	679,376
Capital outlay	-	-	-	34,641
Debt service	961,124	3,589,818	4,550,942	4,351,507
Total Expenditures	<u>3,694,040</u>	<u>3,638,200</u>	<u>7,332,240</u>	<u>7,028,658</u>
NET CHANGES IN FUND BALANCES	607,669	(179,174)	428,495	635,884
FUND BALANCE:				
BEGINNING OF YEAR	<u>11,952,933</u>	<u>345,842</u>	<u>12,298,775</u>	<u>11,662,891</u>
END OF YEAR	<u>\$ 12,560,602</u>	<u>\$ 166,668</u>	<u>\$ 12,727,270</u>	<u>\$ 12,298,775</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	<u>2011</u>	<u>2010</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - Total governmental funds	\$ 428,495	\$ 635,884
Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlays are not reported as expenditures. However, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful lives of the asset.		
Capital outlays	-	34,641
Depreciation expense	(295,126)	(301,125)
The issuance of long-term debt (e.g., bonds, certificates of participation) 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 bond issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bonds - costs of issuance amortization	(23,074)	(24,359)
Bonds - cost of refunding amortization	(202,150)	(214,324)
Bonds - premium amortization	17,258	18,210
Bonds - principal payments	2,885,000	2,645,000
Certificates of Participation - principal payments	555,000	530,000
Certificates of Participation - costs of issuance amortization	(32,841)	(33,583)
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Transfer of capital assets to Enterprise Fund	-	(214,443)
Accrued interest on bonds payable	<u>8,062</u>	<u>1,401</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,340,624</u>	<u>\$ 3,077,302</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)	2010 Actual
REVENUES				
Property taxes	\$ 2,759,815	\$ 2,782,036	\$ 22,221	\$ 2,765,312
Specific ownership taxes	410,000	397,722	(12,278)	407,733
Conservation Trust Fund	39,100	41,754	2,654	38,381
Farm land revenue	26,000	26,000	-	26,000
Lease income	80,100	82,851	2,751	80,370
Oil royalty income	10,000	14,495	4,495	16,278
Water lease income	147,186	-	(147,186)	-
Base Rental income	1,436,499	931,000	(505,499)	870,000
Investment income	1,925	13,033	11,108	2,065
Miscellaneous income	7,000	12,818	5,818	12,244
Total Revenues	<u>4,917,625</u>	<u>4,301,709</u>	<u>(615,916)</u>	<u>4,218,383</u>
EXPENDITURES				
General government				
Salaries and wages	309,190	240,444	68,746	291,506
Employee benefits and taxes	109,910	65,904	44,006	79,692
Accounting, audit, election and legal	130,500	143,072	(12,572)	70,020
Dissolution expenses	300,000	291,499	8,501	243,722
Other professional services	69,950	179,874	(109,924)	50,996
Utilities	34,640	35,030	(390)	28,714
Insurance	20,000	19,669	331	18,802
County Collection Fees	41,884	41,784	100	41,480
Memberships, training and subscriptions	6,600	4,586	2,014	4,170
Other office expenses	48,800	38,914	9,886	31,150
Repairs and maintenance	57,300	49,859	7,441	184,853
Base Rental expense	1,436,499	931,000	505,499	870,000
Emergency Reserve	105,000	-	105,000	-
Contingency	100,000	-	100,000	-
Total General Government	<u>2,770,273</u>	<u>2,041,635</u>	<u>728,638</u>	<u>1,915,105</u>
Parks and Open Space				
Landscape maintenance contract	326,662	328,141	(1,479)	311,937
Landscape supplies	10,000	9,520	480	9,668
Repairs and maintenance	289,000	305,940	(16,940)	312,230
Utilities	38,000	39,927	(1,927)	33,774
Park services	8,350	7,753	597	9,142
Fire mitigation	20,000	-	20,000	2,625
Total Parks and Open Space	<u>692,012</u>	<u>691,281</u>	<u>731</u>	<u>679,376</u>
Debt Service				
2008 Certificates of Participation - principal/interest	394,388	231,098	163,290	221,045
2009 Certificates of Participation - principal/interest	699,263	385,601	313,662	370,298
LOC and other banking fees	313,061	314,500	(1,439)	320,143
Remarketing fees	30,588	29,925	663	30,588
Total Debt Service	<u>1,437,300</u>	<u>961,124</u>	<u>476,176</u>	<u>942,074</u>
Capital outlay	10,489,568	-	10,489,568	34,641
Total Expenditures	<u>15,389,153</u>	<u>3,694,040</u>	<u>11,695,113</u>	<u>3,571,196</u>
NET CHANGE IN FUND BALANCE	(10,471,528)	607,669	11,079,197	647,187
FUND BALANCE:				
BEGINNING OF YEAR	<u>11,252,438</u>	<u>11,952,933</u>	<u>700,495</u>	<u>11,305,746</u>
END OF YEAR	<u>\$ 780,910</u>	<u>\$ 12,560,602</u>	<u>\$ 11,779,692</u>	<u>\$ 11,952,933</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET ASSETS

ENTERPRISE FUND

December 31, 2011

With Comparative Totals for December 31, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 3,047,239	\$ 5,998,993
Accounts receivable - services	409,376	399,637
Accounts receivable - other	<u>164,148</u>	<u>16,101</u>
Total Current Assets	<u>3,620,763</u>	<u>6,414,731</u>
CAPITAL ASSETS		
Property, plant and equipment	60,117,760	55,628,237
Accumulated depreciation	<u>(12,316,096)</u>	<u>(11,035,381)</u>
Total Capital Assets	<u>47,801,664</u>	<u>44,592,856</u>
TOTAL ASSETS	<u>51,422,427</u>	<u>51,007,587</u>
LIABILITIES		
CURRENT LIABILITIES		
Retainage payable	288,287	20,979
Accrued compensated absences	19,376	26,749
Reserve for reimbursement	16,795	16,795
Accrued note interest payable	104,800	152,795
Deferred water lease revenue	124,985	122,655
Deferred revenue - less than one year	35,812	35,812
Note payable - less than one year	<u>915,630</u>	<u>863,802</u>
Total Current Liabilities	<u>1,505,685</u>	<u>1,239,587</u>
LONG-TERM LIABILITIES		
Deferred revenue - greater than one year	107,420	143,232
Note payable - greater than one year	<u>970,568</u>	<u>1,886,198</u>
TOTAL LIABILITIES	<u>2,583,673</u>	<u>3,269,017</u>
NET ASSETS		
Invested in capital assets, net of related debt	47,801,664	44,592,856
Unrestricted	<u>1,037,090</u>	<u>3,145,714</u>
TOTAL NET ASSETS	<u>\$ 48,838,754</u>	<u>\$ 47,738,570</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

ENTERPRISE FUND

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011	2010
OPERATING REVENUES		
Water charges	\$ 2,760,060	\$ 2,712,628
Wastewater charges	1,310,408	1,309,028
Storm drainage charges	127,232	168,830
Total Operating Revenues	4,197,700	4,190,486
OPERATING EXPENSES		
Water operations	3,017,945	2,789,528
Wastewater operations	1,506,754	1,476,966
Storm drainage operations	72,604	108,052
Total Operating Expenses	4,597,303	4,374,546
LOSS FROM OPERATIONS	(399,603)	(184,060)
NON-OPERATING REVENUES	1,499,787	1,466,961
NET INCOME - CHANGE IN NET ASSETS	1,100,184	1,282,901
NET ASSETS - BEGINNING OF YEAR	47,738,570	46,455,669
NET ASSETS - END OF YEAR	\$ 48,838,754	\$ 47,738,570

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

ENTERPRISE FUND

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and others	\$ 4,006,432	\$ 4,084,809
Payments to suppliers	(2,679,891)	(2,654,015)
Payments to employees	(376,762)	(461,196)
Net Cash Provided by Operating Activities	949,779	969,598
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Utility rebate	19,218	28,422
Net Cash Provided by Non-capital Financing Activities	19,218	28,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Note interest	(165,000)	-
Note principal	(863,802)	-
Connect fees	443,695	269,200
Capital improvement fees	1,147,377	1,096,088
Acquisition of capital assets	(4,489,523)	(3,094,237)
Net Cash Required by Capital and Related Financing Activities	(3,927,253)	(1,728,949)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	6,502	11,603
Net Cash Provided by Investing Activities	6,502	11,603
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,951,754)	(719,326)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,998,993	6,718,319
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,047,239	\$ 5,998,993
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (399,603)	\$ (184,060)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	1,280,715	1,287,358
Changes in Assets and Liabilities:		
Accounts receivable - services	(9,739)	(25,771)
Accounts receivable - other	(148,047)	(8,735)
Prepaid expenses	-	75,000
Accounts payable	-	(264,070)
Retainage payable	267,308	20,979
Accrued compensated absences	(7,373)	618
Deferred revenue	(33,482)	(71,171)
Other	-	139,450
Net Adjustments	1,349,382	1,153,658
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 949,779	\$ 969,598

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Castle Pines North Metropolitan District (“District”), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the more significant policies consistently applied in the preparation of these financial statements.

Definition of Reporting Entity

The District was established as a quasi-municipal corporation and political subdivision of the State of Colorado under the Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized by a court order on June 11, 1984, and is governed by an elected five member Board of Directors (“Board”). The District was established to provide water service, wastewater service, storm drainage service and parks and open space maintenance services for the benefit of the property owners, residents and users of the facilities of the 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 is financially accountable for the Castle Pines North Finance Corporation (“Corporation”), which is a Colorado non-profit corporation formed in January 2008 for the purpose of financing, constructing, equipping, owning, leasing and operating real and personal property to be leased by the District for water supply, water storage, water treatment or water distribution pursuant to a lease and other agreements with the District. Despite being a separate legal entity, the Corporation is being presented as a blended component unit of the District because the purpose of the Corporation is to provide an exclusive benefit to, and is intertwined with, the District.

The District has employees for both operations and administrative functions. Other functions are contracted.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

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 become 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. The material sources of revenue subject to accrual are property taxes and interest. Expenditures are recorded when the liability is incurred or the long-term obligation is paid.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt-related costs.

The District reports the following major proprietary fund:

Enterprise Fund – The Enterprise Fund accounts for the water, wastewater and storm drainage operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses or capital contributions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Budgets

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

- By October 15, the District Manager submits to the Board, a proposed operating budget for the fiscal year beginning the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to December 31, the budget is formally adopted through passage of a resolution and monies are appropriated by fund.
- Any budget revisions that alter the total expenditures of any fund must be approved by the Board through passage of a budget amendment.
- The District appropriates revenues and expenditures by fund as part of the budget approval process. Budgets for the General and Debt Service Funds are adopted on a basis consistent with GAAP. Budgetary comparisons presented for the Enterprise Fund are presented on a non-GAAP budgetary basis.
- Budgeted amounts in the financial statements are reported as originally adopted or as amended by the Board. All appropriations lapse at year end.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with an original maturity of three months or less to be cash equivalents.

Assets, Liabilities, and Net Assets

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments as of December 31, 2011 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements. The carrying amount of these financial instruments approximates fair value because of the short maturity of the instruments.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. The District's investments are reported at fair value.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The District follows the practice of pooling cash and investments from all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. 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 funds' average equity balance in the total cash and investments.

Allowance for Doubtful Accounts

Tap fees, user fees and similar fees set by the District's Board constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables, except as listed below for property taxes, has been made in the financial statements.

Property Tax

Property taxes are certified by the District's Board. The levy is based on assessed valuations determined by the Douglas County Assessor generally as of January 1 of each year. The levy is certified by December 15 to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable since they are not normally available, nor are they budgeted as a resource, until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets are reported in the applicable governmental or business-type activities 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 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend the life of capital assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements classified as construction-in-progress are not depreciated. Land and certain landscaping improvements are not depreciated.

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

Distribution system	50 - 100 years
Collection system	50 - 100 years
Buildings	25 - 60 years
Trails	12 - 30 years
Machinery and equipment	5 - 25 years
Parking lots	15 years
Irrigation systems	30 years
Office furniture and equipment	5 years

Compensated Absences

The District allows employees to accumulate unused personal leave time. As of December 31, 2011, the District accrued personal leave totaling \$31,767. That amount is included as liabilities in the General Fund and the Proprietary Fund.

Long-Term Obligations

In the government-wide financial statements, and in the enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type Statement of Net Assets. Bonds payable are reported net of applicable bond premium, discount and cost of refunding.

Costs of Issuance, Bond Cost of Refunding and Bond Premiums – Series 2006 Bonds

Bond issue costs, bond premiums and the cost of refunding from the Series 2006 Bonds are being amortized over the respective terms of the bonds using the interest method. As of December 31, 2011, the accumulated amortizations of the bond issue costs is \$144,749, the bond premiums is \$107,915 and the cost of refunding is \$1,279,809.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Costs of Issuance – Certificates of Participation

Bond issue costs from the Series 2008 and Series 2009 Certificates of Participation are being amortized over the respective terms of the certificates using the interest method. As of December 31, 2011, the accumulated amortization of the bond issue costs is \$95,952.

Fund Balance and Net Assets

In the government-wide and proprietary fund financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the District which are not restricted for any project or other purpose. Any deficit will require future funding.

GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* effective for reporting periods after June 15, 2010. The statement established fund balance classifications, provided for a hierarchy of spending constraints for spendable resources and required disclosure for nonspendable and spendable resources. The District adopted the statement in fiscal year 2011. In the fund financial statements, the fund balances of governmental funds are as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable 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, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision making authority for the District. Committed fund balances may be established, modified, or rescinded only through resolutions approved by the Board.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Board's adopted policy, the Board has the authority to assign the designated fund balance for each governmental fund based on the intended use of resources by the District in the most recently adopted budget.

Unassigned – all other spendable amounts.

Comparative Data

Comparative total data for the prior year is presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. For presentation purposes only, comparative total data for the prior year may have been reclassified.

Note 2: Cash and Investments

As of December 31, 2011, cash and investments are classified in the Statement of Net Assets as follows:

	<u>2011</u>	<u>2010</u>
Restricted cash:		
Governmental activities	\$ 10,708,980	\$ 10,933,762
Unrestricted cash:		
Governmental activities	3,512,894	1,692,688
Business-type activities	3,047,239	5,998,993
Total cash and investments	<u>\$ 17,269,113</u>	<u>\$ 18,625,443</u>

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

	<u>2011</u>	<u>2010</u>
Petty cash	\$ 300	\$ 300
Deposits with financial institutions	4,259,189	7,069,626
Investments	13,009,624	11,555,517
Total	<u>\$ 17,269,113</u>	<u>\$ 18,625,443</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Deposits

Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of failure of a depository financial institution, the District's deposits may not be returned to it. 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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

As of December 31, 2011, the District's cash deposits had a bank balance of \$4,259,189 that was either federally insured or collateralized by PDPA.

Investments

Credit risk

The District has a formal investment policy which follows Colorado Revised Statutes ("CRS"), which specify in which investments local governments may invest. These investments include obligations of the United States and certain U.S. government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

Due to the limitations specified by CRS, the District's investments are not subject to concentration risk disclosure requirements or subject to investment custodial credit risk.

Interest Rate Risk

CRS limit investment maturities to five years or less, unless otherwise formally approved by the Board.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

As of December 31, 2011, the District's investments consisted of the following:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST PLUS+	Weighted average Under 60 days	\$ 2,480,759
Federated Treasury Obligations Fund	13 months or less	3,572
Wells Fargo Secured Institutional Money Market Account	Weighted average Under 30 days	<u>10,525,293</u>
	Total investments	<u>\$ 13,009,624</u>

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard and Poor's. COLOTRUST is an investment trust/joint venture established for local governmental entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios consist of U.S. Treasury bills and notes 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 or repurchase agreements collateralized by certain obligations of U.S. Government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. As of December 31, 2011, the District had \$2,480,759 invested in COLOTRUST PLUS+.

Federated Treasury Obligations Fund

During 2011, the District's funds in the trust accounts at UMB were invested in the Federated Treasury Obligations Fund ("Federated Fund"). This portfolio is a money market fund that invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the U.S. Government, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Fund is rated AAAM by Standard & Poor's. As of December 31, 2011, the District had \$3,572 invested in the Federated Treasury Obligations Fund.

Wells Fargo Secured Institutional Money Market Account

During 2011, the Corporation's funds in the trust accounts at Wells Fargo Bank N.A. were invested in the Wells Fargo Secured Institutional Money Market Account. This portfolio is a

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

money market fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the U.S. Government, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. This fund is rated AAAM by Standard & Poor's. As of December 31, 2011, the Corporation had \$10,525,293 invested in this fund.

Note 3: Capital Assets

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

<u>Governmental Activities:</u>	<u>Balance 01-01-11</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 12-31-11</u>
<u>Capital assets not being depreciated:</u>				
Land and improvements to land	\$ 45,583,416	\$ -	\$ -	\$ 45,583,416
Water storage rights	8,366,941	-	-	8,366,941
Construction-in-progress	<u>9,370,702</u>	<u>-</u>	<u>-</u>	<u>9,370,702</u>
Total capital assets not being depreciated	<u>63,321,059</u>	<u>-</u>	<u>-</u>	<u>63,321,059</u>
<u>Capital assets being depreciated:</u>				
Parking lots	202,710	-	-	202,710
Parks, buildings & equipment	2,911,764	-	-	2,911,764
Concrete trails	1,439,434	-	-	1,439,434
Asphalt trails	302,064	-	-	302,064
Irrigation systems	436,943	-	-	436,943
Office furniture & equipment	<u>22,587</u>	<u>-</u>	<u>-</u>	<u>22,587</u>
Total capital assets being depreciated	<u>5,315,502</u>	<u>-</u>	<u>-</u>	<u>5,315,502</u>
<u>Accumulated depreciation:</u>				
Parking lots	(124,998)	(13,514)	-	(138,512)
Parks, buildings & equipment	(1,107,243)	(210,242)	-	(1,317,485)
Concrete trails	(415,832)	(49,693)	-	(465,525)
Asphalt trails	(277,620)	(4,444)	-	(282,064)
Irrigation systems	(225,672)	(13,786)	-	(239,458)
Office furniture & equipment	<u>(13,199)</u>	<u>(3,447)</u>	<u>-</u>	<u>(16,646)</u>
Total accumulated depreciation	<u>(2,164,564)</u>	<u>(295,126)</u>	<u>-</u>	<u>(2,459,690)</u>
Net capital assets being depreciated	<u>3,150,938</u>	<u>(295,126)</u>	<u>-</u>	<u>2,855,812</u>
Governmental assets, net	<u>\$ 66,471,997</u>	<u>\$ (295,126)</u>	<u>\$ -</u>	<u>\$ 66,176,871</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Business-Type Activities:	Balance 01-01-11	Additions	Transfers/ Deletions	Balance 12-31-11
<u>Capital assets not being depreciated:</u>				
Land and rights of way	\$ 103,115	\$ -	\$ -	\$ 103,115
Construction-in-progress	<u>6,135,184</u>	<u>4,185,154</u>	<u>-</u>	<u>10,320,338</u>
Total capital assets not being depreciated	<u>6,238,299</u>	<u>4,185,154</u>	<u>-</u>	<u>10,423,453</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	6,922,807	-	-	6,922,807
Landscaping, Fencing, Electrical	3,276,126	214,514	-	3,490,640
Ground water rights	2,956,515	-	-	2,956,515
Distribution system	6,320,649	-	-	6,320,649
Collection system	1,480,781	-	-	1,480,781
Water tank	2,315,656	-	-	2,315,656
Machinery & equipment	8,624,923	70,675	-	8,695,598
Vehicles	35,576	19,180	-	54,756
Developer contributions	17,226,659	-	-	17,226,659
PCWA Plant capacity	<u>230,246</u>	<u>-</u>	<u>-</u>	<u>230,246</u>
Total capital assets being depreciated	<u>49,389,938</u>	<u>304,369</u>	<u>-</u>	<u>49,694,307</u>
<u>Accumulated depreciation:</u>				
Buildings and improvements	(1,515,922)	(169,184)	-	(1,685,106)
Landscaping, Fencing, Electrical	(996,233)	(106,586)	-	(1,102,819)
Ground water rights	(238,377)	(10,896)	-	(249,273)
Distribution system	(998,370)	(97,611)	-	(1,095,981)
Collection system	(317,543)	(14,808)	-	(332,351)
Water tank	(683,745)	(46,313)	-	(730,058)
Machinery & equipment	(4,354,130)	(642,505)	-	(4,996,635)
Vehicles	(24,903)	(9,033)	-	(33,936)
Developer contributions	(1,772,747)	(172,267)	-	(1,945,014)
PCWA Plant capacity	<u>(133,411)</u>	<u>(11,512)</u>	<u>-</u>	<u>(144,923)</u>
Total accumulated depreciation	<u>(11,035,381)</u>	<u>(1,280,715)</u>	<u>-</u>	<u>(12,316,096)</u>
Net capital assets being depreciated	<u>38,354,557</u>	<u>(976,346)</u>	<u>-</u>	<u>37,378,211</u>
Business-Type assets, net	<u>\$ 44,592,856</u>	<u>\$ 3,208,808</u>	<u>\$ -</u>	<u>\$ 47,801,664</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Depreciation expense for the years ending December 31, 2011 (and 2010) was charged to the functions/programs as follows:

	<u>2011</u>	<u>2010</u>
Governmental activities:		
Total depreciation expense	<u>\$ 295,126</u>	<u>\$ 301,125</u>
Business-type activities:		
Water	\$ 1,000,068	\$ 1,003,874
Wastewater	277,875	278,522
Storm drainage	2,772	4,962
Total depreciation expense	<u>\$ 1,280,715</u>	<u>\$ 1,287,358</u>

Note 4: Long-Term Debt

The following is an analysis of changes in all long-term debt for the period ending December 31, 2011:

	<u>Balance 01-01-11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12-31-11</u>	<u>Current Portion</u>
2006A Limited Tax G.O. Fixed					
Rate Refunding Bonds	\$ 9,045,000	\$ -	\$ 1,085,000	\$ 7,960,000	\$ 1,130,000
2006B Limited Tax G.O. Fixed					
Rate Refunding Bonds	5,700,000	-	-	5,700,000	-
2006C Limited Tax G.O. Variable					
Rate Refunding Bonds	3,200,000	-	1,800,000	1,400,000	-
2008 Certificates of Participation	8,195,000	-	210,000	7,985,000	220,000
2009 Certificates of Participation	15,745,000	-	345,000	15,400,000	360,000
2010 Note payable - Meadow Island	<u>2,750,000</u>	<u>-</u>	<u>863,802</u>	<u>1,886,198</u>	<u>915,630</u>
	<u>44,635,000</u>	<u>-</u>	<u>4,303,802</u>	<u>40,331,198</u>	<u>2,625,630</u>
2006A Refunding Bond Premium	38,085	-	8,695	29,390	7,708
2006B Refunding Bond Premium	136,597	-	8,563	128,034	8,563
2006A Cost of Refunding	(486,987)	-	(111,191)	(375,796)	(98,553)
2006B Cost of Refunding	(415,172)	-	(26,025)	(389,147)	(26,026)
2006C Cost of Refunding	<u>(731,960)</u>	<u>-</u>	<u>(64,934)</u>	<u>(667,026)</u>	<u>(64,935)</u>
	<u>\$43,175,563</u>	<u>\$ -</u>	<u>\$ 4,118,910</u>	<u>\$39,056,653</u>	<u>\$ 2,452,387</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

A description of the long-term debt as of December 31, 2011, is as follows:

\$14,310,000 Limited Tax General Obligation Refunding Bonds – Series 2006A

In May 2006, the District issued \$14,310,000 of Limited Tax General Obligation Refunding Bonds, Series 2006A (“Series 2006A Bonds”). The proceeds were used to advance refund the District’s Limited Tax General Obligation Refunding Bonds, Series 2003, and the Limited Tax General Obligation Refunding Bonds, Series 2004, and to pay for the costs of issuance. The refunding resulted in the reduction of the District’s total debt service payments by approximately \$11,142,344 and provided an economic gain of approximately \$21,881. A restriction on the tap fees, as pledged for debt service, was also removed. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The Series 2006A Bonds bear interest at rates ranging from 4.00% to 4.50% and are comprised of serial bonds maturing from 2006 through 2015 and term bonds due in 2018. The Series 2006A Bonds maturing on or after December 1, 2016 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on December 15, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Series 2006A Bonds maturing on December 1, 2018 are also subject to mandatory sinking fund redemption prior to the maturity date of the bonds, in part, by lot, on December 1 of each year in 2016, 2017 and 2018.

The Series 2006A Bonds are payable from the revenue derived from the imposition of an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the bonds when due, but not exceeding a maximum mill levy. The lien of the Series 2006A Bonds on such ad valorem property tax revenue will be on parity with the lien of the District’s Limited Tax General Obligation Refunding Bonds, Series 2006B, and the Limited Tax General Obligation Variable Rate Refunding Bonds, Series 2006C.

The District received a premium from the issuance of the Series 2006A Bonds in the amount of \$89,901 and incurred costs of issuance totaling \$121,366. The Series 2006A Bonds exceeded the book value of the defeased bonds by \$1,149,514. These amounts are being amortized over the life of the Series 2006A Bonds.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006A Bonds:

	Principal	Interest	Total
2012	\$ 1,130,000	\$ 338,425	\$ 1,468,425
2013	1,175,000	290,400	1,465,400
2014	1,225,000	240,463	1,465,463
2015	1,275,000	191,463	1,466,463
2016	1,335,000	134,088	1,469,088
2017 - 2018	1,820,000	95,625	1,915,625
	<u>\$ 7,960,000</u>	<u>\$ 1,290,464</u>	<u>\$ 9,250,464</u>

\$5,700,000 Limited Tax General Obligation Refunding Bonds – Series 2006B

In May 2006, the District issued \$5,700,000 of Limited Tax General Obligation Refunding Bonds, Series 2006B (“Series 2006B Bonds”). The proceeds were used to refund a portion the District’s Limited Tax General Obligation Variable Rate Refunding Bonds, Series 1999 (“Series 1999 Bonds”), and to pay for the costs of issuance. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The Series 2006B Bonds bear interest at rates ranging from 4.50% to 5.00% and are comprised of bonds maturing in 2024, 2025, 2026 and 2027. The Series 2006B Bonds maturing on or after December 1, 2024 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity, on December 15, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

The District received a premium from the issuance of the Series 2006B Bonds in the amount of \$175,438 and incurred costs of issuance totaling \$66,817. The Series 2006B Bonds and the Series 2006C Bonds exceeded the book value of the refunded bonds by \$1,562,264. These amounts are being amortized over the life of the Series 2006B and Series 2006C Bonds.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006B Bonds:

	Principal	Interest	Total
2012	\$ -	\$ 284,775	\$ 284,775
2013	-	284,775	284,775
2014	-	284,775	284,775
2015	-	284,775	284,775
2016	-	284,775	284,775
2017 - 2021	-	1,423,875	1,423,875
2022 - 2026	3,975,000	1,324,075	5,299,075
2027	1,725,000	86,250	1,811,250
	<u>\$ 5,700,000</u>	<u>\$ 4,258,075</u>	<u>\$ 9,958,075</u>

\$11,000,000 Limited Tax General Obligation Variable Rate Refunding Bonds – Series 2006C

In May 2006, the District issued \$11,000,000 of Limited Tax General Obligation Variable Rate Refunding Bonds, Series 2006C (“Series 2006C Bonds”). The proceeds were used to refund a portion the District’s Limited Tax General Obligation Variable Rate Refunding Bonds, Series 1999 (“Series 1999 Bonds”). The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. Government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The Series 2006C Bonds, with an initial weekly interest rate of 3.60%, mature beginning in 2018 through 2024. The Series 2006C Bonds may bear interest in Daily, Weekly, Monthly, Semi-Annual, Annual, Flexible Pricing Long-term, Flexible Pricing Short-term, or Fixed Rate Mode, as elected by the District. The Series 2006C Bonds currently bear interest in the Weekly Mode.

When the Series 2006C Bonds are in the Daily, Weekly, Monthly, Semi-Annual or Annual Mode, they are subject to optional redemption by the District, in whole, or in part, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest at the redemption date, if any, without premium. When the Series 2006C Bonds are in the Fixed Mode, they may be redeemed in whole, or in part, on any date, upon expiration of the applicable call protection period (the original length of the current Fixed Rate Period divided by two, and rounded up to the nearest whole year, not exceeding 10 years), at the redemption price which is 100% of the principal. When the Series 2006C Bonds are in Flexible Pricing Mode, they are subject to optional redemption prior to the stated maturity, in whole, or in part, on the final interest payment date for the applicable adjustment period, at a redemption price equal to the principal amount plus accrued interest at the redemption date, if any, without premium.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The Series 2006C Bonds are secured by an irrevocable Letter of Credit. The Letter of Credit terminates on May 9, 2016 (with an automatic extension to May 10, 2021 unless notified otherwise).

During 2011, the District made an early redemption in the amount of \$1,800,000. The District's total early redemptions amount to \$9,600,000 through December 31, 2011.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2006C Bonds using an estimated interest rate of 3.60%:

	Principal	Interest	Total
2012	\$ -	\$ 50,400	\$ 50,400
2013	-	50,400	50,400
2014	-	50,400	50,400
2015	-	50,400	50,400
2016	-	50,400	50,400
2017 - 2020	<u>1,400,000</u>	<u>114,660</u>	<u>1,514,660</u>
	<u>\$ 1,400,000</u>	<u>\$ 366,660</u>	<u>\$ 1,766,660</u>

General Obligation Debt Authorization

As of December 31, 2011, the District had no authorized unissued debt. The District has not budgeted to issue any additional debt in 2012.

\$8,585,000 Variable Rate Certificates of Participation – Series 2008

On August 28, 2008, the Corporation issued \$8,585,000 in Variable Rate Certificates of Participation ("2008 Certificates") evidencing proportionate and undivided interests in the right to receive certain revenues payable by the District under a 2008 Lease Agreement dated August 1, 2008, as amended on May 1, 2009 ("Lease Agreement"). Pursuant to the Lease Agreement, the District is obligated to pay Base Rental (assuming the District does not exercise its annual option to terminate the agreement) during the lease term to the trustee as the Corporation's assignee and mortgage pursuant to an indenture. Base Rental represents monies required to pay the principal and interest on the 2008 Certificates when due, and any related fees for remarketing, the letter of credit facility and the trustee.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The 2008 Certificates bear interest in the Weekly mode at a rate determined each Wednesday by the remarketing agent, to be effective from and including each Thursday to and including the following Wednesday. The maximum interest rate on the 2008 Certificates is the lesser of: (i) the maximum rate permitted by law for the 2008 certificates, or (ii) 10% per annum. Interest, while in the Weekly mode, is payable on the first business day of each calendar month following a month in which interest at such rate has accrued, commencing October 1, 2008.

The 2008 Certificates maturing on December 1, 2033, are subject to annual mandatory redemption beginning December 1, 2009. Any of the 2008 Certificates, while in a Variable Rate Mode, are also subject to optional redemption at a price equal to the principal amount plus accrued interest to the redemption date, without premium.

The 2008 Certificates are secured by, and initially payable from, an irrevocable direct letter of credit issued by Wells Fargo Bank N.A., expiring on August 28, 2013, unless renewed, substituted or terminated.

Proceeds from the sale of the 2008 Certificates were used to: (i) acquire the right to store a volume of water in the Reuter-Hess Reservoir, including the right to deliver water into, store water within and withdraw water from the Reuter-Hess Reservoir (see Note 6); and, (ii) pay certain costs related to the issuance of the 2008 Certificates.

The following is a summary of the annual long-term debt principal and interest requirements for the 2008 Certificates using an estimated interest rate of 3.325%:

	Principal	Interest	Total
2012	\$ 220,000	\$ 265,501	\$ 485,501
2013	230,000	258,186	488,186
2014	240,000	250,539	490,539
2015	250,000	242,559	492,559
2016	260,000	234,246	494,246
2017 - 2021	1,495,000	1,032,745	2,527,745
2022 - 2026	1,870,000	760,928	2,630,928
2027 - 2031	2,330,000	420,613	2,750,613
2032 - 2033	1,090,000	54,697	1,144,697
	<u>\$ 7,985,000</u>	<u>\$ 3,520,014</u>	<u>\$ 11,505,014</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

\$16,075,000 Variable Rate Certificates of Participation – Series 2009

On May 28, 2009, the Corporation issued \$16,075,000 in Variable Rate Certificates of Participation (“2009 Certificates”) evidencing proportionate and undivided interests in the right to receive certain revenues payable by the District under the Lease Agreement.

The 2009 Certificates bear interest in the Weekly mode at a rate determined each Wednesday by the remarketing agent, to be effective from and including each Thursday to and including the following Wednesday. The maximum interest rate on the 2009 Certificates is the lesser of: (i) the maximum rate permitted by law for the 2009 certificates, or (ii) 10% per annum. Interest, while in the Weekly mode, is payable on the first business day of each calendar month following a month in which interest at such rate has accrued, commencing July 1, 2009.

The 2009 Certificates are secured by an irrevocable direct letter of credit (“2009 Credit Facility”) issued by Wells Fargo Bank, N.A., expiring on May 1, 2014 unless renewed, substituted or terminated.

The 2009 Certificates maturing on December 1, 2034, are subject to annual mandatory redemption which began December 1, 2010. Any of the 2009 Certificates, while in a Variable Rate Mode, are also subject to optional redemption at a price equal to the principal amount plus accrued interest to the redemption date, without premium.

Proceeds from the sale of the 2009 Certificates were used to: (i) pay or reimburse the costs of acquiring 70 acres of land and a one-half share in the Platteville Irrigation and Milling Company, and 210 acres of land and 80 shares in the Fulton Irrigating Ditch Company; (ii) pay and reimburse the costs of the acquisition, lease and construction of renewable water projects consisting of water rights, regional water transmission facilities, regional water storage facilities or regional water treatment facilities subject to approval by the 2009 Credit Facility provider; and, (iii) pay the costs related to the issuance of the 2009 Certificates.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The following is a summary of the annual long-term debt principal and interest requirements for the 2009 Certificates using an estimated interest rate of 3.325%:

	Principal	Interest	Total
2012	\$ 360,000	\$ 512,050	\$ 872,050
2013	380,000	500,080	880,080
2014	395,000	487,445	882,445
2015	415,000	474,311	889,311
2016	440,000	460,513	900,513
2017 - 2021	2,530,000	2,069,481	4,599,481
2022 - 2026	3,215,000	1,605,144	4,820,144
2027 - 2031	4,105,000	1,014,291	5,119,291
2032 - 2034	3,560,000	259,184	3,819,184
	<u>\$ 15,400,000</u>	<u>\$ 7,382,499</u>	<u>\$ 22,782,499</u>

Meadow Island and Lupton Bottom Water Shares Note Payable

During January 2010, the District entered into an Agreement for Purchase and Sale of Water Shares with Golden Dome Aggregates, LLC (“Seller”), for the purchase of shares of the Meadow Island Irrigation Company and the Lupton Bottom Ditch Company for \$3,950,000. Per the agreement, the District made an initial deposit of \$25,000 during 2009 and an initial payment of \$1,175,000 on the closing date of January 27, 2010. The Seller issued a promissory note in the amount of \$2,750,000 to the District which carries an annual interest rate of 6.00%. The District is required to make equal payments of \$1,028,802 on the three successive anniversary dates of the closing date. The note is secured with a Deed of Trust and an encumbrance of the shares.

The following is a summary of the annual debt principal and interest requirements for the share purchase using an interest rate of 6.00%:

	Principal	Interest	Total
2012	\$ 915,630	\$ 113,172	\$ 1,028,802
2013	970,568	58,234	1,028,802
	<u>\$1,886,198</u>	<u>\$ 171,406</u>	<u>\$ 2,057,604</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Note 5: Segment Information

The District's Enterprise Fund provides water, wastewater and storm drainage services. Segment information for the year ended December 31, 2011 was as follows:

	Water	Wastewater	Storm Drainage	Total
Operating revenues	\$ 2,760,060	\$ 1,310,408	\$ 127,232	\$ 4,197,700
Depreciation	\$ 1,000,068	\$ 277,875	\$ 2,772	\$ 1,280,715
Net operating gain (loss)	(\$ 257,885)	(\$ 196,346)	\$ 54,628	(\$ 399,603)
Capital assets	\$43,623,220	\$16,458,100	\$ 36,440	\$60,117,760

Note 6: District Agreements

Hidden Pointe Metropolitan District (formerly Green Valley Water and Sanitation District)

On June 2, 1994, the District entered into an amended service agreement and an agreement regarding mill levies with the Green Valley Water and Sanitation District. The agreements provide for the District to provide water and wastewater service for up to 216 single family equivalents to the property known as the Green Valley Subdivision. 216 Valley Group, LP or its successors are required to: (i) assess additional tap fees of \$2,000 per single family equivalent through 2002 and \$2,500 thereafter payable to the District, (ii) construct all required water and wastewater mains in the property and to the District boundary, and convey such improvements to the District, (iii) impose a service charge for water and wastewater at 125% of the charges imposed by the District, and (iv) impose a mill levy of up to 51.5 mills or the actual mill levy (22 mills) assessed for debt that existed at the time of the agreement. The resulting net revenues are to be remitted to the District until the longer of (a) 30 years from initiation of payments (until 2025), or (b) 20 years from first refinancing (2016). The agreement also provides for a decrease of 10 mills beginning in collection year 2014. The District received \$234,781 in 2011 for debt service related to this agreement.

Castle Pines North Golf Company

The District entered into an agreement with the Castle Pines North Golf Company ("Golf Club") to provide and/or treat effluent for irrigation use by the Golf Club for twenty years. The Golf Club is entitled to a maximum use of 325 acre feet of water per year, at a rate of 750,000 gallons per day for the first two years from the date of the commencement without any charge. After the second anniversary of the commencement of irrigation, the Golf Club is entitled to 240 acre feet per year provided the daily maximum shall remain the same. The District received certain improvements to its systems as compensation for this agreement. The revenue related to these improvements is recognized equally over the twenty years of the agreement. During 2011, the District recorded \$35,812 of revenue related to the agreement and has \$143,232 remaining to recognize as of December 31, 2011.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Plum Creek Wastewater Authority

The District, along with the Castle Pines Metropolitan District and the Town of Castle Rock, has its wastewater treated by the Plum Creek Wastewater Authority. The District has contributed \$3,496,437 for treatment capacity improvements in previous years. During 2011, the Plum Creek Wastewater Authority charged the District \$742,777 for treatment of the District's wastewater.

Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement

On August 26, 2008, the District, the Town of Castle Rock ("Town"), and Stonegate Village Metropolitan District ("Stonegate") entered into an agreement known as the Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement ("IGA") with Parker Water and Sanitation ("Parker Water"). Parker Water owns land on which it has constructed a 16,200 acre feet reservoir known as the Reuter-Hess Reservoir ("Reservoir") located in Douglas County, Colorado. During the calendar year 2008, Parker Water received a favorable Record of Decision from the Army Corp of Engineers to expand Reuter-Hess from 16,200 acre feet to nearly 72,000 acre feet.

Pursuant to the IGA, Parker Water may sell, transfer or convey a storage easement to the participating entities. The storage easement constitutes rights in real property which shall entitle each participating entity the right to store a specific volume of water in the Reservoir, including the right to deliver into, store within and withdraw from the Reservoir volumes of water on the terms and conditions set forth in the participating entity's respective storage easement deed, the IGA and their operations plan. The storage easement acquired by the District during 2008 is within the original 16,200 acre-foot Reservoir.

Also pursuant to the IGA, Parker Water will establish an outlet structures escrow in the amount of \$7,800,000 for the benefit of the participating entities for the construction of two outlet facilities which will enable the Reservoir to operate as designed. Additionally, the IGA requires Parker Water to (i) expand the Reservoir in accordance with applicable permits, and (ii) enlarge the Reservoir's outlet pipe to accommodate the participating entities individual outlet capacities.

Parker Water completed the expansion of the Reservoir, including the construction of the outlet structures, in January 2012, within the timeframe allowed in the IGA. As of December 31, 2011, payments made by the District to Parker Water totaled \$8,318,153.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Hock Hocking Water Rights

In March 2010, the District closed a Purchase and Sale Agreement with the Mount Carbon Metropolitan District ("Mount Carbon") for the purchase of shares of Hock Hocking Mine water rights for \$7,011,000. Under the agreement, the District paid \$1,428,000 directly to Mount Carbon, who then paid Aggregate Industries in connection with Mount Carbon's purchase of 102 water taps. The District has a security interest in those taps.

Note 7: Employee Pension and Healthcare Benefit Plans

Defined Benefit Pension Plan

The District contributes to the Municipal Division Trust Fund ("MDTF"), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The MDTF provides retirement and disability, annual increases, and death benefits for members and their beneficiaries. All employees of the District are members of the MDTF. Plan members and the District are required to contribute to the MDTF at a rate set by Colorado State Statute. The contribution requirements of plan members and the District are established under Title 24, Article 51 of the CRS, as amended. The contribution rate for members and the District is 8.0% and 13.7%, respectively, of covered salary. A portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund.

Postemployment Healthcare Benefits

The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. The District is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by Colorado State Statute. No member contributions are required.

The District's contributions to MDTF and HDTF for the years ended December 31, 2010 and 2011 were \$77,502 and \$63,830, respectively, equal to the required contribution for each year.

Defined Contribution Pension Plan

The MDTF members of the District may voluntarily contribute to the Voluntary Investment Program ("401(k) Plan"), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from other payments made to PERA.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The 401(k) Plan is funded by voluntary member contributions up to a maximum limit set annually by the IRS. The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The 401(k) Plan member contributions from the District for the years ended December 31, 2010 and 2011 were \$13,861 and \$12,404, respectively.

Basis of Accounting for the MDTF and HCTF

The financial statements of the MDTF and HCTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the members and the employer is statutorily committed to pay these contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The MDTF plan and HCTF plan investments are presented at fair value, except for short-term investments, which are recorded at cost.

Title 24, Article 51 of the CRS, as amended, assigns the authority to establish benefit provisions to the Colorado State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the MDTF and the HCTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, CO 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA.

Note 8: TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 ("Amendment"), commonly known as the Taxpayer Bill of Rights ("TABOR"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District established an Emergency Reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2011, the Emergency Reserve of \$110,000 was recorded in the General Fund.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Note 9: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on a basis proportionate to other 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 10: District Dissolution

On February 5, 2010, the City of Castle Pines ("City") filed an Application for Dissolution with the District Court in and for Douglas County ("District Court") to require the District to commence the process of dissolution. As required, the District filed a Petition for Dissolution and Request for Continuance on April 5, 2010.

Since then, the District has spent considerable time, effort and expense to formulate a plan for Dissolution ("Plan") and requested several continuances in the process to complete the Plan, all of which were granted by the District Court.

In November 2011, the City voted in three new council members. In February 2012, after holding two public hearings on the matter, the City Council changed its prior position and voted to terminate the Dissolution proceedings. The District Court then ordered termination of the proceedings, which was entered on February 28, 2012.

One of the consequences of the Dissolution was a notification from Wells Fargo Bank N.A. ("Bank"), the owner of the 2008 and 2009 Credit Facilities associated with the District's Certification of Participation financing ("COP's")(see Note 4), that the Dissolution would be a "Material Adverse Change" under the COP's definition.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

With the termination of the Dissolution proceedings, and additional collateral provided to the Bank by the District, in May 2012 the Bank released \$7 million. This release will provide funding required to complete the District's Interconnect Pipeline, and along with the related Pump Station, will enable the District to make use of its Hock Hocking water rights (see Note 6).

Note 11: Subsequent Events

The District has evaluated subsequent events through May 31, 2012, the date which the financial statements were available to be issued. Other than the significant events noted above (the termination of the Dissolution action by the City and the release of the COP proceeds by Wells Fargo), there were no other material subsequent events that required recognition or additional disclosure.

SUPPLEMENTAL INFORMATION

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DEBT SERVICE FUND

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)	2010 Actual
REVENUES				
Property taxes	\$ 3,195,575	\$ 3,221,305	\$ 25,730	\$ 3,201,940
Intergovernmental revenues	235,041	234,781	(260)	243,446
Investment income	825	2,940	2,115	773
Total Revenues	<u>3,431,441</u>	<u>3,459,026</u>	<u>27,585</u>	<u>3,446,159</u>
EXPENDITURES				
County Collection Fees	47,934	48,382	(448)	48,029
Bond principal	2,885,000	2,885,000	-	2,645,000
Bond interest	714,975	675,113	39,862	718,651
Other long-term debt expenses	<u>33,600</u>	<u>29,705</u>	<u>3,895</u>	<u>45,782</u>
Total Expenditures	<u>3,681,509</u>	<u>3,638,200</u>	<u>43,309</u>	<u>3,457,462</u>
NET CHANGE IN FUND BALANCE	(250,068)	(179,174)	70,894	(11,303)
FUND BALANCE:				
BEGINNING OF YEAR	<u>276,428</u>	<u>345,842</u>	<u>69,414</u>	<u>357,145</u>
END OF YEAR	<u>\$ 26,360</u>	<u>\$ 166,668</u>	<u>\$ 140,308</u>	<u>\$ 345,842</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (BUDGETARY BASIS) ENTERPRISE FUND

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011		Variance	2010
	Original & Final Budget	Actual	Favorable (Unfavorable)	Actual
REVENUES				
Water charges	\$ 2,419,632	\$ 2,760,060	\$ 340,428	\$ 2,712,628
Wastewater charges	1,653,295	1,310,408	(342,887)	1,309,028
Storm drainage charges	125,756	127,232	1,476	168,830
Investment income	6,953	6,502	(451)	11,603
Capital improvement fees	1,141,532	1,147,377	5,845	1,096,088
Connect fees	55,000	443,695	388,695	269,200
Utility rebates	-	19,218	19,218	28,422
Total Revenues	<u>5,402,168</u>	<u>5,814,492</u>	<u>412,324</u>	<u>5,595,799</u>
EXPENDITURES				
Water Operations				
General overhead	110,000	306,347	(196,347)	36,438
Salaries and wages	195,940	132,552	63,388	169,773
Employee benefits and taxes	72,904	50,946	21,958	60,658
Memberships, training and subscriptions	2,200	368	1,832	2,010
Engineering	40,000	5,891	34,109	138,187
Repairs and maintenance	470,900	420,324	50,576	452,295
Utilities	837,550	903,157	(65,607)	749,763
Equipment and supplies	38,000	43,859	(5,859)	35,279
Treatment costs	20,000	19,243	757	3,475
Water rebates	20,000	16,301	3,699	30,749
Other projects	137,287	118,889	18,398	107,027
Contingency	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
Total Water Operations	<u>2,544,781</u>	<u>2,017,877</u>	<u>526,904</u>	<u>1,785,654</u>
Wastewater Operations				
General overhead	35,500	83,711	(48,211)	25,769
Salaries and wages	195,940	110,057	85,883	137,353
Employee benefits and taxes	71,141	41,535	29,606	48,845
Memberships, training and subscriptions	1,500	155	1,345	265
Engineering	10,000	23,593	(13,593)	1,022
Repairs and maintenance	517,045	124,744	392,301	113,470
Utilities	75,900	66,334	9,566	70,039
Equipment, supplies & other projects	6,500	35,973	(29,473)	36,099
Treatment costs	<u>742,777</u>	<u>742,777</u>	<u>-</u>	<u>765,582</u>
Total Wastewater Operations	<u>1,656,303</u>	<u>1,228,879</u>	<u>427,424</u>	<u>1,198,444</u>
Storm Drainage Operations				
General overhead	11,900	18,202	(6,302)	9,108
Salaries and wages	23,410	24,005	(595)	32,543
Employee benefits and taxes	10,049	10,294	(245)	12,642
Repairs and maintenance	71,000	15,032	55,968	48,768
Equipment, supplies & other projects	<u>900</u>	<u>2,299</u>	<u>(1,399)</u>	<u>29</u>
Total Storm Drainage Operations	<u>117,259</u>	<u>69,832</u>	<u>47,427</u>	<u>103,090</u>
Capital Outlay	<u>6,090,928</u>	<u>4,489,523</u>	<u>1,601,405</u>	<u>3,094,237</u>
Total Expenditures	<u>10,409,271</u>	<u>7,806,111</u>	<u>2,603,160</u>	<u>6,181,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (5,007,103)</u>	<u>\$ (1,991,619)</u>	<u>\$ 3,015,484</u>	<u>\$ (585,626)</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

**RECONCILIATION OF THE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUND**

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

	<u>2011</u>	<u>2010</u>
Deficiency of revenues over expenditures	\$ (1,991,619)	\$ (585,626)
Add capital expenditures which are not expenses	4,489,523	3,308,680
Deduct accrued note interest which is an expense	(117,005)	(152,795)
Deduct depreciation which is an expense	<u>(1,280,715)</u>	<u>(1,287,358)</u>
Changes in Net Assets per the Statement of Revenues, Expenses and Changes in Net Assets	<u>\$ 1,100,184</u>	<u>\$ 1,282,901</u>

The notes to the financial statements are an integral part of these statements.

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

ENTERPRISE FUND - SEGMENT DETAILS

For the Year Ended December 31, 2011

	Water	Wastewater	Storm Drainage	2011 Total
OPERATING REVENUES				
Water charges	\$ 2,760,060	\$ -	\$ -	\$ 2,760,060
Wastewater charges	-	1,310,408	-	1,310,408
Storm drainage charges	-	-	127,232	127,232
Total Operating Revenues	<u>2,760,060</u>	<u>1,310,408</u>	<u>127,232</u>	<u>4,197,700</u>
OPERATING EXPENSES				
Water Operations				
General overhead	306,347	-	-	306,347
Salaries and wages	132,552	-	-	132,552
Employee benefits and taxes	50,946	-	-	50,946
Memberships, training and subscriptions	368	-	-	368
Engineering	5,891	-	-	5,891
Repairs and maintenance	420,324	-	-	420,324
Utilities	903,157	-	-	903,157
Equipment and supplies	43,859	-	-	43,859
Treatment costs	19,243	-	-	19,243
Water rebates	16,301	-	-	16,301
Other projects	118,889	-	-	118,889
Total Water Operations	<u>2,017,877</u>	<u>-</u>	<u>-</u>	<u>2,017,877</u>
Wastewater Operations				
General overhead	-	83,711	-	83,711
Salaries and wages	-	110,057	-	110,057
Employee benefits and taxes	-	41,535	-	41,535
Memberships, training and subscriptions	-	155	-	155
Engineering	-	23,593	-	23,593
Repairs and maintenance	-	124,744	-	124,744
Utilities	-	66,334	-	66,334
Equipment and supplies	-	35,973	-	35,973
Treatment costs	-	742,777	-	742,777
Total Wastewater Operations	<u>-</u>	<u>1,228,879</u>	<u>-</u>	<u>1,228,879</u>
Storm Drainage Operations				
General overhead	-	-	18,202	18,202
Salaries and wages	-	-	24,005	24,005
Employee benefits and taxes	-	-	10,294	10,294
Repairs and maintenance	-	-	15,032	15,032
Equipment and supplies	-	-	2,299	2,299
Total Storm Drainage Operations	<u>-</u>	<u>-</u>	<u>69,832</u>	<u>69,832</u>
Depreciation	<u>1,000,068</u>	<u>277,875</u>	<u>2,772</u>	<u>1,280,715</u>
Total Operating Expenses	<u>3,017,945</u>	<u>1,506,754</u>	<u>72,604</u>	<u>4,597,303</u>
INCOME (LOSS) FROM OPERATIONS	<u>(257,885)</u>	<u>(196,346)</u>	<u>54,628</u>	<u>(399,603)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	3,975	2,356	171	6,502
Capital improvement fees	1,065,089	82,288	-	1,147,377
Connect fees	412,895	30,800	-	443,695
Utility rebates	19,218	-	-	19,218
Accrued note interest	(117,005)	-	-	(117,005)
Non-Operating Revenues	<u>1,384,172</u>	<u>115,444</u>	<u>171</u>	<u>1,499,787</u>
NET INCOME (LOSS) - CHANGE IN NET ASSETS	1,126,287	(80,902)	54,799	1,100,184
NET ASSETS - BEGINNING OF YEAR	<u>45,829,027</u>	<u>1,861,804</u>	<u>47,739</u>	<u>47,738,570</u>
NET ASSETS - END OF YEAR	<u>\$ 46,955,314</u>	<u>\$ 1,780,902</u>	<u>\$ 102,538</u>	<u>\$ 48,838,754</u>

The notes to the financial statements are an integral part of these statements.

CONTINUING DISCLOSURE

ANNUAL FINANCIAL INFORMATION

REQUIRED BY THE GENERAL OBLIGATION BONDS, SERIES 2006

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

TABLE III (Series 2006A)
History of District Assessed Valuation

<u>Levy/Collection Year</u>	<u>Assessed Valuation¹</u>	<u>Increase or (Decrease)</u>	<u>Percentage Change</u>
1998/1999	24,659,740	4,412,800	21.79%
1999/2000	36,744,570	12,084,830	49.01%
2000/2001	45,004,340	8,259,770	22.48%
2001/2002	68,640,316	23,635,976	52.52%
2002/2003	86,819,810	18,179,494	26.49%
2003/2004	110,893,170	24,073,360	27.73%
2004/2005	114,573,850	3,680,680	3.32%
2005/2006	125,207,050	10,633,200	9.28%
2006/2007	128,057,598	2,850,548	2.28%
2007/2008	136,796,755	8,739,157	6.82%
2008/2009	138,095,490	1,298,735	0.95%
2009/2010	145,738,180	7,642,690	5.53%
2010/2011	146,720,630	982,450	0.67%
2011/2012	130,150,150	(16,570,480)	-11.29%

¹ Includes New Growth Assessed Valuation

Source: Douglas County Assessor's Office

TABLE V (Series 2006A)
Historical Property Tax Collections

<u>Levy/Collection Year</u>	<u>Total Taxes Levied</u>	<u>Tax Collections¹</u>	<u>Percentage of Tax Collections to Total Taxes Levied²</u>
1998/1999	1,645,733	1,609,653	97.81%
1999/2000	2,351,652	2,265,559	96.34%
2000/2001	2,880,278	2,846,242	98.82%
2001/2002	3,313,387	3,292,244	99.36%
2002/2003	3,720,539	3,715,679	99.87%
2003/2004	4,665,070	4,647,347	99.62%
2004/2005	4,926,732	4,848,795	98.42%
2005/2006	5,304,433	5,284,384	99.62%
2006/2007	5,465,795	5,477,493	100.21%
2007/2008	5,845,438	5,830,278	99.74%
2008/2009	5,938,106	5,929,404	99.85%
2009/2010	5,975,265	5,959,166	99.73%
2010/2011	6,015,546	6,003,341	99.80%

¹ Figures include current and delinquent tax collections, penalties, and (prior to 2010) interest. County Collection Fees have not been deducted from these amounts.

² The District's Management believes that substantially all of the differences between its taxes levied and tax collections are the result of tax abatements and refunds, not from unpaid or delinquent taxes.

Source: District audited financial statements and the District

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

TABLE IV (Series 2006B) & TABLE III (Series 2006C)
Assessed and "Actual" Valuation of Classes of Property in the District

Class	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>"Actual" Valuation</u>	<u>Percent of "Actual" Valuation</u>
Residential	\$ 107,644,950	82.71%	\$ 1,352,341,801	94.57%
Commercial	16,047,690	12.33%	55,336,917	3.87%
Vacant	2,672,670	2.05%	9,216,150	0.64%
State Assessed	84,580	0.06%	291,485	0.02%
Agricultural	1,340	0.00%	4,592	0.00%
Other Natural Resources	560	0.00%	1,905	0.00%
Personal Property	<u>3,698,360</u>	<u>2.84%</u>	<u>12,753,795</u>	<u>0.89%</u>
Total	<u>\$ 130,150,150</u>	<u>100.00%</u>	<u>\$ 1,429,946,645</u>	<u>100.00%</u>

Source: Douglas County Assessor's Office -> Taxing Authorities -> Abstract & Certification Listings
http://www.douglas.co.us/assessor/documents/11_2011AbstAllAuthorities.pdf

TABLE XII (Series 2006A)
Estimated Overlapping General Obligation Debt

<u>Overlapping Entity</u>	<u>Outstanding General Obligation Debt</u>	<u>Percentage Applicable to District</u>	<u>Amount Applicable to District</u>
Douglas County School District RE1	\$ 543,221,541	3.20%	\$ 17,383,089

Source: Douglas County School District RE-1 CAFR, Statistical Section

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

TABLE VIII (Series 2006A & B) & TABLE VII (Series 2006C)
History of General Fund Revenues, Expenditures and Changes in Fund Balance

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES					
Property taxes	\$ 2,420,288	\$ 2,576,169	\$ 2,619,969	\$ 2,765,312	\$ 2,782,036
HB 1006 property taxes	18,219	10,811	-	-	-
Specific ownership taxes	546,683	499,231	444,704	407,733	397,722
Conservation Trust Fund	40,597	42,000	39,760	38,381	41,754
Lease income	59,820	61,830	111,625	122,648	123,346
Base Rental income	-	100,000	575,000	870,000	931,000
Investment income	314,361	163,999	29,995	2,065	13,033
Miscellaneous income	44,375	10,039	11,274	12,244	12,818
Total Revenues	<u>3,444,343</u>	<u>3,464,079</u>	<u>3,832,327</u>	<u>4,218,383</u>	<u>4,301,709</u>
EXPENDITURES					
General government	672,448	1,212,537	2,098,823	2,857,179	3,002,759
Parks and Open Space	627,791	750,654	1,829,941	679,376	691,281
Capital outlay	574,410	8,623,025	11,320,982	34,641	-
Total Expenditures	<u>1,874,649</u>	<u>10,586,216</u>	<u>15,249,746</u>	<u>3,571,196</u>	<u>3,694,040</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	1,569,694	(7,122,137)	(11,417,419)	647,187	607,669
OTHER FINANCING SOURCES (USES)					
Proceeds from 2008 Certificates of Participation	-	8,585,000	-	-	-
Proceeds from 2009 Certificates of Participation	-	-	16,075,000	-	-
Transfer to other funds	(500,000)	(500,000)	(500,000)	-	-
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>8,085,000</u>	<u>15,575,000</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES					
	1,069,694	962,863	4,157,581	647,187	607,669
FUND BALANCE - BEGINNING OF YEAR:	<u>5,115,608</u>	<u>6,185,302</u>	<u>7,148,165</u>	<u>11,305,746</u>	<u>11,952,933</u>
FUND BALANCE - END OF YEAR:	<u>\$ 6,185,302</u>	<u>\$ 7,148,165</u>	<u>\$ 11,305,746</u>	<u>\$ 11,952,933</u>	<u>\$ 12,560,602</u>

Source: District's 2007 - 2011 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

TABLE IX (Series 2006A & B) & TABLE VIII (Series 2006C)
History of Debt Service Fund Revenues, Expenditures and Changes in Fund Balance

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES					
Property taxes	\$ 3,057,205	\$ 3,254,108	\$ 3,309,435	\$ 3,201,940	\$ 3,221,305
HB 1006 property taxes	23,014	13,656	-	-	-
Investment income	131,328	37,908	9,747	773	2,940
Hidden Pointe taxes	<u>225,759</u>	<u>250,536</u>	<u>244,389</u>	<u>243,446</u>	<u>234,781</u>
Total Revenues	<u>3,437,306</u>	<u>3,556,208</u>	<u>3,563,571</u>	<u>3,446,159</u>	<u>3,459,026</u>
EXPENDITURES					
General government ¹	48,587	49,858	49,731	48,029	48,382
Debt service - principal & interest	4,134,373	3,217,147	3,683,017	3,363,651	3,560,113
Debt service - other related	<u>80,275</u>	<u>79,169</u>	<u>56,113</u>	<u>45,782</u>	<u>29,705</u>
Total Expenditures	<u>4,263,235</u>	<u>3,346,174</u>	<u>3,788,861</u>	<u>3,457,462</u>	<u>3,638,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(825,929)	210,034	(225,290)	(11,303)	(179,174)
FUND BALANCE - BEGINNING OF YEAR:	<u>1,198,330</u>	<u>372,401</u>	<u>582,435</u>	<u>357,145</u>	<u>345,842</u>
FUND BALANCE - END OF YEAR:	<u>\$ 372,401</u>	<u>\$ 582,435</u>	<u>\$ 357,145</u>	<u>\$ 345,842</u>	<u>\$ 166,668</u>

¹ Expenditures for General Government represent the Douglas County Collection Fees for property tax collection.

Source: District's 2007 - 2011 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

TABLE X (Series 2006A & B) & TABLE IX (Series 2006C)
General Fund Budget Summary and Comparison

	<u>2012 Budget</u>	<u>2011 Budget</u>	<u>2011 Actual</u>
REVENUES			
Property taxes	\$ 2,472,853	\$ 2,759,815	\$ 2,782,036
Specific ownership taxes	358,564	410,000	397,722
Conservation Trust Fund	39,353	39,425	41,754
Lease income	131,100	263,286	123,346
Base Rental income	1,274,363	1,436,499	931,000
Investment income	10,893	1,600	13,033
Miscellaneous income	<u>8,500</u>	<u>7,000</u>	<u>12,818</u>
Total Revenues	<u>4,295,626</u>	<u>4,917,625</u>	<u>4,301,709</u>
EXPENDITURES			
General government	10,218,149	14,103,931	3,002,759
Parks and Open Space	950,115	945,222	691,281
Conservation Trust Fund	207,996	-	-
Capital outlay	-	135,000	-
Contingency	100,000	100,000	-
Emergency Reserve	<u>105,000</u>	<u>105,000</u>	<u>-</u>
Total Expenditures	<u>11,581,260</u>	<u>15,389,153</u>	<u>3,694,040</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(7,285,634)	(10,471,528)	607,669
FUND BALANCE - BEGINNING OF YEAR:	<u>12,321,726</u>	<u>11,252,438</u>	<u>11,952,933</u>
FUND BALANCE - END OF YEAR:	<u>\$ 5,036,092</u>	<u>\$ 780,910</u>	<u>\$ 12,560,602</u>

Note: General Fund includes the Conservation Trust Fund.

Source: District's 2011 audited Financial Statements and the District's 2011 and 2012 Budgets.

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

TABLE X (Series 2006A & B) & TABLE IX (Series 2006C)
Debt Service Fund Budget Summary and Comparison

	<u>2012 Budget</u>	<u>2011 Budget</u>	<u>2011 Actual</u>
REVENUES			
Property taxes	\$ 2,863,303	\$ 3,195,575	\$ 3,221,305
Investment income	2,300	825	2,940
Hidden Pointe taxes	<u>204,200</u>	<u>235,041</u>	<u>234,781</u>
Total Revenues	<u>3,069,803</u>	<u>3,431,442</u>	<u>3,459,026</u>
EXPENDITURES			
County Collection Fees	42,950	47,934	48,382
Bond principal	2,230,000	2,885,000	2,885,000
Bond interest	687,200	714,975	675,113
Paying agent fees	5,000	5,000	4,850
Letter of credit fees	24,600	24,600	20,855
Remarketing fees	<u>5,000</u>	<u>4,000</u>	<u>4,000</u>
Total Expenditures	<u>2,994,750</u>	<u>3,681,509</u>	<u>3,638,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	75,053	(250,067)	(179,174)
FUND BALANCE - BEGINNING OF YEAR:	<u>136,607</u>	<u>276,428</u>	<u>345,842</u>
FUND BALANCE - END OF YEAR:	<u>\$ 211,660</u>	<u>\$ 26,361</u>	<u>\$ 166,668</u>

Source: District's 2011 audited Financial Statements and the District's 2011 and 2012 Budgets.

COLORADO WATER CONSERVATION BOARD

WATER PROJECT LOAN APPLICATION

Instructions: This application should be typed or printed neatly with black ink. Attach additional sheets as necessary to fully answer any question or to provide additional information that would be helpful in the evaluation of this application. When finished, please sign and return this application to:

THE COLORADO WATER CONSERVATION BOARD
Finance Section
1580 Logan St., Suite 600
Denver, CO 80203
Attn: Anna Mauss, P.E.
Phone: (303) 866-3441 x3224 Fax (303) 894-2578
Email: anna.mauss@state.co.us

Part A. - Description of the Applicant (Generally, the applicant is also the prospective owner and sponsor of the proposed project)

1. Name of applicant Castle Pines North Metropolitan District
Mailing Address 7404 Yorkshire Drive
Castle Pines, CO 80108
Business Phone (303) 688-8550 Fax (303) 688-2529
Federal ID Number 84-0952336 email peggyd@pinnacleconsultinggroupinc.com

2. Person to contact regarding this application:

Name Peggy Dowswell
Position/Title Finance Director
Address 7404 Yorkshire Drive, Castle Pines, CO 80108
Business Phone (970) 669-3611 Cell (970) 231-9303
Email peggyd@pinnacleconsultinggroupinc.com

3. Type of organization (Ditch Co., Irrigation District, Municipality, etc.): C.R.S. Title 32, Metro District

Date of Annual Meeting Monthly meetings

Is the organization incorporated in the State of Colorado? YES ☐ NO ☒ (If YES, please include a copy of the articles of incorporation, and the bylaws)

4. Please provide a brief description of the owner's existing water supply facilities and describe any existing operational or maintenance problems. Attach a map of the service area

CWCB Water Project Loan Application

<u>Lender Name & Address</u>	<u>Remaining Amount</u>	<u>Annual Payment</u>	<u>Maturity Date</u>
2006A & B Limited Tax GO Bonds (mill levy)	\$12,530,000	\$1.750M	2027
2008 & 2009 Certificates of Participation	\$22,805,000	\$1.400M	2034

* Note: No Water Enterprise Debt

2. Are any of the above liabilities now in default, or been in default at any time in the past?

YES ☐ NO ☒ . If YES, please give detailed explanation.

3. Please provide a brief narrative description of sources of funding, in addition to the CWCB, which have been explored for this project (Examples would be Banks, USDA Rural Development, NRCS, Colorado Water Resources and Power Development Authority, Colorado Division of Local Government, etc.).

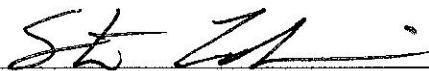
Initial conversations with our lending banks for issuance of revenue bonds

4. What collateral will you be offering for this loan? Possibilities include a pledge of revenues, the project itself, real estate, water rights.

Pledge of Water Enterprise Revenues: water charges and fees

The above statements are true, to the best of my knowledge:

Signature of Applicant



Printed Name Steven Labossiere

Title President, Board of Directors

Date August 30, 2013