

CASTLE PINES NORTH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2010

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, 2010, 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.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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, 2010, 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 the Castle Pines North Metropolitan District's basic financial statements. The accompanying supplemental information on pages 36 through 38 and the continuing disclosure annual financial information on pages 39 through 44 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The information on pages 36 through 38 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The continuing disclosure annual financial information on pages 39 through 44 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Simmons & Wheeler P.C.

July 6, 2011

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET ASSETS

December 31, 2010

With Comparative Totals for December 31, 2009

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	<u>2009</u>
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 1,692,688	\$ 5,998,993	\$ 7,691,681	\$ 17,653,485
Cash and investments - restricted	10,933,762	-	10,933,762	533,490
Taxes receivable - current	27,312	-	27,312	42,415
Taxes receivable - deferred	6,015,546	-	6,015,546	5,975,265
Accounts receivable - services	7,134	399,637	406,771	387,267
Accounts receivable - other	-	16,101	16,101	287,344
Prepaid expenses	-	-	-	75,000
Total Current Assets	<u>18,676,442</u>	<u>6,414,731</u>	<u>25,091,173</u>	<u>24,954,266</u>
NONCURRENT ASSETS				
Capital assets, net of accumulated depreciation	66,471,997	44,592,856	111,064,853	106,774,458
Bond costs of issuance, net of amortization	672,037	-	672,037	729,979
Total Noncurrent Assets	<u>67,144,034</u>	<u>44,592,856</u>	<u>111,736,890</u>	<u>107,504,437</u>
Total Assets	<u>85,820,476</u>	<u>51,007,587</u>	<u>136,828,063</u>	<u>132,458,703</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	343,344	-	343,344	379,539
Retainage payable	-	20,979	20,979	-
Accrued compensated absences	18,777	26,749	45,526	52,221
Deferred property taxes	6,015,546	-	6,015,546	5,975,265
Reserve for reimbursement	-	16,795	16,795	-
Deferred water lease revenue	-	122,655	122,655	-
Deferred revenue - less than one year	-	35,812	35,812	35,812
Accrued interest payable - long-term debt	64,069	152,795	216,864	65,470
Long-term debt payable - less than one year	1,455,108	863,802	2,318,910	1,378,886
Total Current Liabilities	<u>7,896,844</u>	<u>1,239,587</u>	<u>9,136,431</u>	<u>7,887,193</u>
LONG-TERM LIABILITIES				
Deferred revenue - greater than one year	-	143,232	143,232	214,403
Long-term debt payable, net of premium - greater than one year	38,970,455	1,886,198	40,856,653	42,025,563
Total Noncurrent Liabilities	<u>38,970,455</u>	<u>2,029,430</u>	<u>40,999,885</u>	<u>42,239,966</u>
Total Liabilities	<u>46,867,299</u>	<u>3,269,017</u>	<u>50,136,316</u>	<u>50,127,159</u>
NET ASSETS				
Invested in capital assets, net of related debt	26,046,434	44,592,856	70,639,290	63,370,009
Restricted for:				
Emergency reserve	105,000	-	105,000	96,000
Debt service	281,773	-	281,773	291,675
Capital projects	10,354,915	-	10,354,915	-
Conservation trust fund	129,343	-	129,343	90,732
Unrestricted:	2,035,712	3,145,714	5,181,426	18,483,128
Total Net Assets	<u>\$ 38,953,177</u>	<u>\$ 47,738,570</u>	<u>\$ 86,691,747</u>	<u>\$ 82,331,544</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, 2010

With Comparative Totals for the Year Ended December 31, 2009

Functions/Programs	Total Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			2009
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 2,064,481	\$ 80,370	\$ 912,278	\$ -	\$(1,071,833)	\$ -	\$(1,071,833)	\$(2,504,673)
Intergovernmental revenues	-	-	281,827	-	281,827	-	281,827	284,149
Interest and related costs on long-term debt	2,007,191	-	-	-	(2,007,191)	-	(2,007,191)	(1,391,825)
Depreciation	301,125	-	-	-	(301,125)	-	(301,125)	(298,526)
Total Governmental Activities	<u>4,372,797</u>	<u>80,370</u>	<u>1,194,105</u>	<u>-</u>	<u>(3,098,322)</u>	<u>-</u>	<u>(3,098,322)</u>	<u>(3,910,875)</u>
Business-Type Activities:								
Water operations (including depreciation)	2,942,323	2,712,628	-	1,262,575	-	1,032,880	1,032,880	1,315,443
Wastewater operations (including depreciation)	1,476,966	1,309,028	-	102,713	-	(65,225)	(65,225)	(295,245)
Storm drainage operations (including depreciation)	108,052	168,830	-	-	-	60,778	60,778	69,749
Total Business-Type Activities	<u>4,527,341</u>	<u>4,190,486</u>	<u>-</u>	<u>1,365,288</u>	<u>-</u>	<u>1,028,433</u>	<u>1,028,433</u>	<u>1,089,947</u>
Total	<u>\$ 8,900,138</u>	<u>\$ 4,270,856</u>	<u>\$ 1,194,105</u>	<u>\$ 1,365,288</u>	<u>(3,098,322)</u>	<u>1,028,433</u>	<u>(2,069,889)</u>	<u>(2,820,928)</u>
General Revenues:								
Property taxes					5,967,252	-	5,967,252	5,929,404
Specific ownership taxes					407,733	-	407,733	444,704
Miscellaneous income					12,244	28,422	40,666	22,295
Transfer of capital assets					(214,443)	214,443	-	-
Interest income					2,838	11,603	14,441	68,614
Total General Revenues					<u>6,175,624</u>	<u>254,468</u>	<u>6,430,092</u>	<u>6,465,017</u>
Change in Net Assets					3,077,302	1,282,901	4,360,203	3,644,089
Net Assets - Beginning					<u>35,875,875</u>	<u>46,455,669</u>	<u>82,331,544</u>	<u>78,687,455</u>
Net Assets - Ending					#####	#####	#####	#####

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010

With Comparative Totals for December 31, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental 2010</u>	<u>Total Governmental 2009</u>
ASSETS				
Cash and investments	\$ 1,692,688	\$ -	\$ 1,692,688	\$ 10,935,166
Cash and investments - restricted	10,589,258	344,504	10,933,762	533,490
Taxes receivable - current	27,312	-	27,312	42,415
Taxes receivable - deferred	2,787,692	3,227,854	6,015,546	5,975,265
Accounts receivable - other	5,796	1,338	7,134	13,401
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,978</u>
 Total Assets	 <u>\$ 15,102,746</u>	 <u>\$ 3,573,696</u>	 <u>18,676,442</u>	 <u>17,779,715</u>
 LIABILITIES				
Accounts payable	\$ 343,344	\$ -	343,344	115,469
Accrued compensated absences	18,777	-	18,777	26,090
Deferred property taxes	<u>2,787,692</u>	<u>3,227,854</u>	<u>6,015,546</u>	<u>5,975,265</u>
 Total Liabilities	 <u>3,149,813</u>	 <u>3,227,854</u>	 <u>6,377,667</u>	 <u>6,116,824</u>
 FUND BALANCES:				
Reserved for:				
Emergency reserve	105,000	-	105,000	96,000
Debt service	-	345,842	345,842	357,145
Capital projects	10,354,915	-	10,354,915	10,353,875
Conservation trust fund	129,343	-	129,343	90,732
Unreserved	<u>1,363,675</u>	<u>-</u>	<u>1,363,675</u>	<u>765,139</u>
 Total Fund Balance	 <u>11,952,933</u>	 <u>345,842</u>	 <u>12,298,775</u>	 <u>11,662,891</u>
 Total Liabilities and Fund Balance	 <u>\$ 15,102,746</u>	 <u>\$ 3,573,696</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	66,471,997	66,952,924
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	672,037	729,979
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	(40,425,563)	(43,404,449)
Accrued interest payable - long-term debt	<u>(64,069)</u>	<u>(65,470)</u>
 Net Assets of Governmental Activities	 <u>\$ 38,953,177</u>	 <u>\$ 35,875,875</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, 2010

With Comparative Totals For the Year Ended December 31, 2009

	2010			2009
	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	
REVENUES				
Property taxes	\$ 2,765,312	\$ 3,201,940	\$ 5,967,252	\$ 5,929,404
Specific ownership taxes	407,733	-	407,733	444,704
Intergovernmental revenues	38,381	243,446	281,827	284,149
Farm land revenue	26,000	-	26,000	26,000
Lease income	80,370	-	80,370	68,500
Oil royalty income	16,278	-	16,278	17,125
Base Rental income	870,000	-	870,000	575,000
Investment income	2,065	773	2,838	39,742
Miscellaneous income	12,244	-	12,244	11,274
	<u>4,218,383</u>	<u>3,446,159</u>	<u>7,664,542</u>	<u>7,395,898</u>
EXPENDITURES				
General government	1,915,105	48,029	1,963,134	1,361,357
Public works/parks/open space	679,376	-	679,376	1,829,941
Capital outlay	34,641	-	34,641	11,320,982
Debt service	942,074	3,409,433	4,351,507	4,526,327
	<u>3,571,196</u>	<u>3,457,462</u>	<u>7,028,658</u>	<u>19,038,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	647,187	(11,303)	635,884	(11,642,709)
OTHER FINANCING SOURCES (USES)				
Proceeds from 2009 Certificates of Participation	-	-	-	16,075,000
Transfer (to) other funds	-	-	-	(500,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,575,000</u>
NET CHANGES IN FUND BALANCES				
	647,187	(11,303)	635,884	3,932,291
FUND BALANCE:				
BEGINNING OF YEAR	<u>11,305,746</u>	<u>357,145</u>	<u>11,662,891</u>	<u>7,730,600</u>
END OF YEAR	<u>\$ 11,952,933</u>	<u>\$ 345,842</u>	<u>\$ 12,298,775</u>	<u>\$ 11,662,891</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, 2010

With Comparative Totals for the Year Ended December 31, 2009

	2010	2009
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - Total governmental funds	\$ 635,884	\$ 3,932,291
<p>Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlays are not reported as an expenditure. However, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful lives of the asset. Therefore, this is the amount of capital outlays, net of depreciation expense, in the current period.</p>		
Capital outlays	34,641	11,320,982
Depreciation expense	(301,125)	(298,526)
<p>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 the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Bonds - costs of issuance amortization	(24,359)	(25,594)
Bonds - cost of refunding amortization	(214,324)	(226,032)
Bonds - premium amortization	18,210	19,127
Bonds - principal payments	2,645,000	2,905,000
Certificates of Participation - proceeds	-	(16,075,000)
Certificates of Participation - costs of issuance	-	288,408
Certificates of Participation - principal payments	530,000	190,000
Certificates of Participation - costs of issuance amortization	(33,583)	(25,309)
<p>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.</p>		
Transfer of capital assets to Enterprise Fund	(214,443)	-
Accrued interest on bonds payable	1,401	8,902
Change in Net Assets of Governmental Activities	\$ 3,077,302	\$ 2,014,249

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, 2010

With Comparative Totals for the Year Ended December 31, 2009

	2010			
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)	2009 Actual
REVENUES				
Property taxes	\$ 2,713,645	\$ 2,765,312	\$ 51,667	\$ 2,619,969
Specific ownership taxes	450,000	407,733	(42,267)	444,704
Conservation trust fund	41,854	38,381	(3,473)	39,760
Farm land revenue	26,000	26,000	-	26,000
Lease income	80,100	80,370	270	68,500
Oil royalty income	2,000	16,278	14,278	17,125
Base Rental income	1,352,800	870,000	(482,800)	575,000
Investment income	1,535	2,065	530	29,995
Miscellaneous income	7,500	12,244	4,744	11,274
Total Revenues	4,675,434	4,218,383	(457,051)	3,832,327
EXPENDITURES				
General government				
Salaries and wages	323,800	291,506	32,294	317,590
Employee benefits and taxes	95,678	79,692	15,986	82,168
Accounting, audit, election and legal	76,180	70,020	6,160	93,317
Dissolution expenses	-	243,722	(243,722)	-
Other professional services	65,000	50,996	14,004	102,229
Utilities	33,000	28,714	4,286	35,255
Insurance	20,200	18,802	1,398	20,204
Treasurer's fees	41,500	41,480	20	39,370
Memberships, training and subscriptions	6,600	4,170	2,430	5,363
Other office expenses	37,000	31,150	5,850	30,990
Repairs and maintenance	38,050	184,853	(146,803)	10,140
Base rental expense	1,352,800	870,000	482,800	575,000
2008 Certificates of Participation - principal/interest	368,000	221,045	146,955	226,181
2009 Certificates of Participation - principal/interest	651,000	370,298	280,702	22,747
2009 Certificates of Participation - costs of issuance	-	-	-	288,408
LOC and other banking fees	303,000	320,143	(17,143)	228,838
Remarketing fees	31,000	30,588	412	21,023
Emergency reserve	98,500	-	98,500	-
Contingency	100,000	-	100,000	-
Total General Government	3,641,308	2,857,179	784,129	2,098,823
Public Works/Parks/Open Space				
Landscape maintenance contract	329,782	311,937	17,845	288,203
Landscape supplies	11,000	9,668	1,332	10,600
Repairs and maintenance	330,000	312,230	17,770	1,337,244
Utilities	36,000	33,774	2,226	187,653
Park services	7,000	9,142	(2,142)	6,241
Fire mitigation	20,000	2,625	17,375	-
Total Public Works/Parks/Open Space	733,782	679,376	54,406	1,829,941
Capital outlay	10,723,868	34,641	10,689,227	11,320,982
Total expenditures	15,098,958	3,571,196	11,527,762	15,249,746
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(10,423,524)	647,187	11,070,711	(11,417,419)
OTHER FINANCING SOURCES (USES)				
Proceeds from 2009 Certificates of Participation	-	-	-	16,075,000
Transfer (to) other funds	(500,000)	-	500,000	(500,000)
Total Other Financing Sources (Uses)	(500,000)	-	500,000	15,575,000
NET CHANGE IN FUND BALANCE	(10,923,524)	647,187	11,570,711	4,157,581
FUND BALANCE:				
BEGINNING OF YEAR	11,106,779	11,305,746	198,967	7,148,165
END OF YEAR	\$ 183,255	\$ 11,952,933	\$ 11,769,678	\$ 11,305,746

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, 2010

With Comparative Totals for December 31, 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 5,998,993	\$ 6,718,319
Accounts receivable - services	399,637	373,866
Accounts receivable - other	16,101	7,366
Prepaid expenses	-	75,000
Total Current Assets	6,414,731	7,174,551
 CAPITAL ASSETS		
Plant, property and equipment	55,628,237	49,569,557
Accumulated depreciation	(11,035,381)	(9,748,023)
Total Capital Assets	44,592,856	39,821,534
 TOTAL ASSETS		
	51,007,587	46,996,085
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	-	264,070
Retainage payable	20,979	-
Accrued compensated absences	26,749	26,131
Reserve for reimbursement	16,795	-
Accrued note interest payable	152,795	-
Deferred water lease revenue	122,655	-
Deferred revenue - due in one year	35,812	35,812
Note payable - due in one year	863,802	-
Total Current Liabilities	1,239,587	326,013
 LONG-TERM LIABILITIES		
Deferred revenue - greater than one year	143,232	214,403
Note payable - due in greater than one year	1,886,198	-
 TOTAL LIABILITIES		
	3,269,017	540,416
 NET ASSETS		
Invested in capital assets, net of related debt	44,592,856	39,821,534
Unrestricted	3,145,714	6,634,135
 TOTAL NET ASSETS		
	\$ 47,738,570	\$ 46,455,669

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUND

For the Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	2010	2009
OPERATING REVENUES		
Water charges	\$ 2,712,628	\$ 2,211,999
Wastewater charges	1,309,028	1,202,987
Storm drainage charges	<u>168,830</u>	<u>249,126</u>
Total Operating Revenues	<u>4,190,486</u>	<u>3,664,112</u>
OPERATING EXPENSES		
Water operations		
General overhead	36,438	30,449
Salaries and wages	169,773	148,782
Employee benefits and taxes	60,658	48,540
Memberships, training and subscriptions	2,010	984
Engineering	138,187	96,705
Repairs and maintenance	452,295	287,516
Utilities	749,763	608,751
Equipment and supplies	35,279	28,939
Treatment costs	3,475	1,532
Water rebates	30,749	44,859
Other projects	<u>107,027</u>	<u>233,542</u>
Total Water operations	<u>1,785,654</u>	<u>1,530,599</u>
Wastewater operations		
General overhead	25,769	26,745
Salaries and wages	137,353	148,782
Employee benefits and taxes	48,845	48,540
Memberships, training and subscriptions	265	119
Engineering	1,022	25,620
Repairs and maintenance	113,470	185,204
Utilities	70,039	59,973
Equipment and supplies	2,841	5,076
Treatment costs	765,582	744,237
Other projects	<u>33,258</u>	<u>103,065</u>
Total Wastewater operations	<u>1,198,444</u>	<u>1,347,361</u>
Storm drainage operations		
General overhead	9,108	9,340
Salaries and wages	32,543	70,941
Employee benefits and taxes	12,642	24,626
Memberships, training and subscriptions	29	-
Engineering	-	4,959
Repairs and maintenance	48,768	64,392
Equipment and supplies	-	172
Other projects	<u>-</u>	<u>435</u>
Total Storm drainage operations	<u>103,090</u>	<u>174,865</u>
Depreciation	<u>1,287,358</u>	<u>1,194,180</u>
Total Operating Expenses	<u>4,374,546</u>	<u>4,247,005</u>
INCOME (LOSS) FROM OPERATIONS	<u>(184,060)</u>	<u>(582,893)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	11,603	28,872
Capital improvement fees	1,096,088	1,031,840
Connect fees	269,200	596,000
Infrastructure fees	-	45,000
Utility rebates	28,422	11,021
Accrued note interest	(152,795)	-
Capital assets transferred from governmental fund	<u>214,443</u>	<u>-</u>
Non-Operating Revenues	<u>1,466,961</u>	<u>1,712,733</u>
NET INCOME BEFORE OPERATING TRANSFERS	1,282,901	1,129,840
Operating transfers in	-	500,000
NET INCOME - CHANGE IN NET ASSETS	1,282,901	1,629,840
NET ASSETS - BEGINNING OF YEAR	<u>46,455,669</u>	<u>44,825,829</u>
NET ASSETS - END OF YEAR	<u>\$ 47,738,570</u>	<u>\$ 46,455,669</u>

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, 2010

With Comparative Totals for the Year Ended December 31, 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and others	\$ 4,084,809	\$ 3,681,492
Payments to suppliers	(2,654,015)	(3,196,584)
Payments to employees	(461,196)	(486,289)
Net Cash Provided (Required) by Operating Activities	969,598	(1,381)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	-	500,000
Utility rebate	28,422	11,021
Net Cash Provided by Noncapital Financing Activities	28,422	511,021
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Tap fees	-	112,500
Infrastructure fees	-	45,000
Connect fees	269,200	483,500
Capital improvement fees	1,096,088	1,031,840
Prepaid deposits	-	(75,000)
Acquisition of capital assets	(3,094,237)	(3,018,636)
Net Cash Provided (Required) by Capital and Related Financing Activities	(1,728,949)	(1,420,796)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	11,603	28,872
Net Cash Provided (Required) by Investing Activities	11,603	28,872
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(719,326)	(882,284)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,718,319	7,600,603
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,998,993	\$ 6,718,319
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES		
Net income (loss) from operations	\$ (184,060)	\$ (582,893)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES		
Depreciation	1,287,358	1,194,180
Changes in Assets and Liabilities:		
Accounts receivable - services	(25,771)	33,243
Accounts receivable - other	(8,735)	19,949
Prepaid expenses	75,000	-
Accounts payable	(264,070)	(594,205)
Retainage payable	20,979	(39,765)
Accrued compensated absences	618	3,922
Deferred revenue	(71,171)	(35,812)
Other	139,450	-
Net Adjustments	1,153,658	581,512
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	\$ 969,598	\$ (1,381)

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

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 organization under the State of Colorado Special District Act. 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 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 and 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, 2010

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 enterprise 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 for 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, 2010

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 except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other related costs.

The District reports the following major proprietary funds:

Enterprise Fund – The Enterprise Fund accounts for the water, storm drainage and wastewater 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 nonoperating 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 this definition are reported as nonoperating 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 enterprise 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, 2010

Budgetary Accounting

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

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents. During 2010, the District incurred no noncash activities.

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, 2010 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 these instruments.

Deposits and Investments

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 of 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.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

Allowance for Doubtful Accounts

Tap fees, user fees and similar fees set by the District's Board of Directors 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 has been made in the financial statements.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Assets.

Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification 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 the 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 (e.g. roads, sidewalks, and similar items) 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, 2010

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the 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
Improvements	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, 2010, the District has accrued personal leave totaling \$45,526. The 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 proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bonds payable are reported net of the 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, 2010, the accumulated amortizations of the bond issue costs were \$121,675, the bond premiums were \$90,657 and the cost of refunding were \$1,077,659.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

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, 2010, the accumulated amortization of the bond issue costs was \$63,111.

Fund Equity

In the fund financial statements, government funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of unreserved fund balances indicate the District's Board of Directors intention for future utilization of such funds and are subject to change by the Board. The District considers all unreserved fund balances to be "reserves" for future operations or capital replacements as defined by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$105,000 of the General Fund balance has been reserved in compliance with this requirement.

The reserved fund balance in the Debt Service Fund in the amount of \$345,842 is reserved for the payment of the bond principal, interest and related costs of debt service on the Series 2006 Bonds.

The funds reserved for Capital Projects represent unspent proceeds from the 2009 Certificates of Participation which will be used for future capital improvements. The funds reserved from the Conservation Trust Fund represent funds to be used for future parks and open space improvements.

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

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Comparative data may have been reclassified to make it comparable to current year data.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2010

Note 2: Cash and Investments

As of December 31, 2010, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets:	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 7,691,681	\$ 17,653,485
Cash and investments – Restricted	<u>10,933,762</u>	<u>533,490</u>
Total	<u>\$ 18,625,443</u>	<u>\$ 18,186,975</u>

Cash and investments as of December 31, 2010 consist of the following:

	<u>2010</u>	<u>2009</u>
Petty cash	\$ 300	\$ 318
Deposits with financial institutions	7,069,626	6,314,773
Investments - COLOTRUST	714,685	1,184,316
Investments – Federated Treasury Obligations Fund	219,731	299,926
Investments – Wells Fargo Advantage Government Money Market Service	<u>10,621,101</u>	<u>10,387,642</u>
Total	<u>\$ 18,625,443</u>	<u>\$ 18,186,975</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool 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 aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured depositories and assets maintained in the collateral pools.

As of December 31, 2010, the District’s cash deposits had a bank balance of \$7,081,054 and a carrying balance of \$7,069,626.

The District does not have a formal policy for deposits. None of the District’s deposits was exposed to custodial credit risk.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2010

Investments

Credit risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which 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

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado Revised Statutes ("CRS") limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2010, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	Weighted average Under 60 days	\$ 714,685
Federated Treasury Obligations Fund	13 months or less	219,731
Wells Fargo Advantage Government Money Market Service	Weighted average Under 30 days	<u>10,621,101</u>
Total investments		<u>\$ 11,555,517</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

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 ventures established for local government 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 investments 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 and 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 the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. As of December 31, 2010, the District had \$714,685 invested in COLOTRUST.

Federated Treasury Obligations Fund

During 2010, 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 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. The Federated Fund is rated AAAM by Standard & Poor’s. As of December 31, 2010, the District had \$219,731 invested in the Federated Treasury Obligations Fund.

Wells Fargo Advantage Government Money Market Service

During 2010, the Corporation’s funds in the trust accounts at Wells Fargo Bank N.A. were invested in the Wells Fargo Advantage Government Money Market Service. 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, 2010, the Corporation had \$10,621,101 invested in this fund.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2010

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2010 follows:

	Balance 01-01-10	Additions	Transfers/ Deletions	Balance 12-31-10
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Land and improvements	\$ 45,583,416	\$ -	\$ -	\$ 45,583,416
Water storage rights	8,366,941	-	-	8,366,941
Construction in progress	9,585,145	-	214,443	9,370,702
Total capital assets not being depreciated	<u>63,535,502</u>	<u>-</u>	<u>214,443</u>	<u>63,321,059</u>
<u>Capital assets being depreciated:</u>				
Parking lots	202,710	-	-	202,710
Parks, buildings & equipment	2,884,763	27,001	-	2,911,764
Concrete trails	1,431,794	7,640	-	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	<u>5,280,861</u>	<u>34,641</u>	<u>-</u>	<u>5,315,502</u>
<u>Accumulated depreciation:</u>				
Parking lots	(111,484)	(13,514)	-	(124,998)
Parks, buildings & equipment	(898,350)	(208,893)	-	(1,107,243)
Concrete trails	(366,330)	(49,502)	-	(415,832)
Asphalt trails	(267,486)	(10,134)	-	(277,620)
Irrigation systems	(211,107)	(14,565)	-	(225,672)
Office furniture & equipment	(8,682)	(4,517)	-	(13,199)
Total accumulated depreciation	<u>(1,863,439)</u>	<u>(301,125)</u>	<u>-</u>	<u>(2,164,564)</u>
Net capital assets being depreciated	<u>3,417,422</u>	<u>(266,484)</u>	<u>-</u>	<u>3,150,938</u>
Governmental assets, net	<u>\$ 66,952,924</u>	<u>\$ (266,484)</u>	<u>\$ 214,443</u>	<u>\$ 66,471,997</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2010

<u>Business - Type Activities:</u>	<u>Balance 01-01-10</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 12-31-10</u>
<u>Capital assets not being depreciated:</u>				
Land and rights of way	\$ 103,115	\$ -	\$ -	\$ 103,115
Construction in progress	<u>3,137,994</u>	<u>5,394,899</u>	<u>2,397,709</u>	<u>6,135,184</u>
Total capital assets not being depreciated	<u>3,241,109</u>	<u>5,394,899</u>	<u>2,397,709</u>	<u>6,238,299</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	6,922,807	-	-	6,922,807
Improvements other than buildings	2,228,916	1,047,210	-	3,276,126
Ground water rights	1,089,617	1,866,898	-	2,956,515
Distribution system	6,252,705	67,944	-	6,320,649
Collection system	1,480,781	-	-	1,480,781
Water tank	2,315,656	-	-	2,315,656
Machinery & equipment	8,545,485	79,438	-	8,624,923
Vehicles	35,576	-	-	35,576
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>46,328,448</u>	<u>3,061,490</u>	<u>-</u>	<u>49,389,938</u>
<u>Accumulated depreciation:</u>				
Buildings and improvements	(1,346,738)	(169,184)	-	(1,515,922)
Improvements other than buildings	(910,682)	(85,551)	-	(996,233)
Ground water rights	(227,481)	(10,896)	-	(238,377)
Distribution system	(899,355)	(99,015)	-	(998,370)
Collection system	(302,735)	(14,808)	-	(317,543)
Water tank	(637,432)	(46,313)	-	(683,745)
Machinery & equipment	(3,683,433)	(670,697)	-	(4,354,130)
Vehicles	(17,788)	(7,115)	-	(24,903)
Developer contributions	(1,600,480)	(172,267)	-	(1,772,747)
PCWA Plant capacity	<u>(121,899)</u>	<u>(11,512)</u>	<u>-</u>	<u>(133,411)</u>
Total accumulated depreciation	<u>(9,748,023)</u>	<u>(1,287,358)</u>	<u>-</u>	<u>(11,035,381)</u>
Net capital assets being depreciated	<u>36,580,425</u>	<u>1,774,132</u>	<u>-</u>	<u>38,354,557</u>
Business - type assets, net	<u>\$ 39,821,534</u>	<u>\$ 7,169,031</u>	<u>\$ 2,397,709</u>	<u>\$ 44,592,856</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2010

Depreciation expense for the years ending December 31, 2010 (and 2009) was charged to the functions/programs as follows:

	<u>2010</u>	<u>2009</u>
Governmental activities:		
Total depreciation expense	<u>\$ 301,125</u>	<u>\$ 298,526</u>
Business-type activities:		
Water	\$ 1,003,874	\$ 918,476
Wastewater	278,522	270,742
Storm drainage	<u>4,962</u>	<u>4,962</u>
Total depreciation expense	<u>\$ 1,287,358</u>	<u>\$ 1,194,180</u>

Note 4: Long-Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2010:

	<u>Balance</u> <u>01-01-10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-10</u>	<u>Current</u> <u>Portion</u>
2006A Limited Tax G.O. Fixed					
Rate Refunding Bonds	\$10,090,000	\$ -	\$ 1,045,000	\$ 9,045,000	\$ 1,085,000
2006B Limited Tax G.O. Fixed					
Rate Refunding Bonds	5,700,000	-	-	5,700,000	-
2006C Limited Tax G.O. Variable					
Rate Refunding Bonds	4,800,000	-	1,600,000	3,200,000	-
2008 Certificates of Participation	8,395,000	-	200,000	8,195,000	210,000
2009 Certificates of Participation	16,075,000	-	330,000	15,745,000	345,000
2010 Note payable - Meadow Island	-	<u>2,750,000</u>	-	<u>2,750,000</u>	<u>863,802</u>
	<u>45,060,000</u>	<u>2,750,000</u>	<u>3,175,000</u>	<u>44,635,000</u>	<u>2,503,802</u>
2006A Refunding Bond Premium	47,733	-	9,648	38,085	8,696
2006B Refunding Bond Premium	145,159	-	8,562	136,597	8,563
2006A Cost of Refunding	(610,351)	-	(123,364)	(486,987)	(111,191)
2006B Cost of Refunding	(441,198)	-	(26,026)	(415,172)	(26,026)
2006C Cost of Refunding	(796,894)	-	(64,934)	(731,960)	(64,934)
	<u>\$43,404,449</u>	<u>\$ 2,750,000</u>	<u>\$ 2,978,886</u>	<u>\$43,175,563</u>	<u>\$ 2,318,910</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

A description of the long-term debt as of December 31, 2010, 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. The 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 refunded 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, 2010

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

	Principal	Interest	Total
2011	1,085,000	381,825	1,466,825
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 - 2018	3,155,000	229,713	3,384,713
	\$ 9,045,000	\$ 1,672,289	\$ 10,717,289

\$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 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, 2010

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

	Principal	Interest	Total
2011	-	284,775	284,775
2012	-	284,775	284,775
2013	-	284,775	284,775
2014	-	284,775	284,775
2015	-	284,775	284,775
2016 - 2020	-	1,423,875	1,423,875
2021 - 2025	1,960,000	1,421,850	3,381,850
2026 - 2027	3,740,000	273,250	4,013,250
	\$ 5,700,000	\$ 4,542,850	\$ 10,242,850

\$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 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, 2010

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 2010, the District made an early redemption in the amount of \$1,600,000. The District's total early redemptions amount to \$7,800,000 through December 31, 2010.

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
2011	-	115,200	115,200
2012	-	115,200	115,200
2013	-	115,200	115,200
2014	-	115,200	115,200
2015	-	115,200	115,200
2016 - 2020	3,200,000	448,560	3,648,560
	\$ 3,200,000	\$ 1,024,560	\$ 4,224,560

Debt Authorization

As of December 31, 2010, the District had no remaining voted debt authorization. The District has not budgeted to issue any additional debt in 2011.

\$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, 2010

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%:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 210,000	\$ 272,484	\$ 482,484
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 - 2020	1,430,000	1,080,292	2,510,292
2021 - 2025	1,785,000	820,279	2,605,279
2026 - 2030	2,230,000	494,761	2,724,761
2031 - 2033	1,600,000	107,897	1,707,897
	<u>\$ 8,195,000</u>	<u>\$ 3,792,498</u>	<u>\$ 11,987,498</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

\$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, 2010

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%:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 345,000	\$ 523,521	\$ 868,521
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 - 2020	2,415,000	2,149,780	4,564,780
2021 - 2025	3,065,000	1,707,055	4,772,055
2026 - 2030	3,910,000	1,144,299	5,054,299
2031 - 2034	4,460,000	407,479	4,867,479
	<u>\$ 15,745,000</u>	<u>\$ 7,906,020</u>	<u>\$ 23,651,020</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 water 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 water shares.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 863,802	\$ 165,000	\$ 1,028,802
2012	915,630	113,172	1,028,802
2013	970,568	58,234	1,028,802
	<u>\$ 2,750,000</u>	<u>\$ 336,406</u>	<u>\$ 3,086,406</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2010

Note 5: Segment Information

The District's Enterprise Fund provides water, wastewater and storm drainage services. Segment information for the year ended December 31, 2010 was as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Storm</u>	<u>Total</u>
Operating revenues	\$ 2,712,628	\$ 1,309,028	\$ 168,830	\$ 4,190,486
Depreciation	\$ 1,003,874	\$ 278,522	\$ 4,962	\$ 1,287,358
Net operating gain (loss)	(\$ 76,900)	(\$ 167,938)	\$ 60,778	(\$ 184,060)
Capital assets	\$39,133,697	\$16,458,100	\$ 36,440	\$55,628,237

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 ranging from 40.0 to 51.5 mills (adjusted for changes in the method of assessing property compared to market value) and remit such net revenues to the District until the Series 2006 Bonds are retired. The District received \$243,446 in 2010 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 2010, the District recorded \$35,812 of revenue related to the agreement and has \$179,044 remaining to recognize as of December 31, 2010.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

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 2010, the Plum Creek Wastewater Authority charged the District \$765,582 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's failure to complete the expansion of the Reservoir, including the construction of the outlet structures, within a period of no later than 42 calendar months (February 2012) from the closing date, will constitute a default under the IGA. As of December 31, 2010, payments made by the District to Parker Water totaled \$8,318,153.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

Hock Hocking Water Rights

During October 2009, the District entered into 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. The sale closed during March 2010.

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 the 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 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 is 8.0% and for the District it is 13.7% 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 statute. No member contributions are required.

The District’s contributions to MDTF and HCTF for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 were \$58,315, \$61,313, \$72,578, \$84,711 and \$77,502, 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 others made to PERA.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

The 401(k) Plan is funded by voluntary member contributions up to a maximum limit set by the IRS (\$15,500 in 2007). 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, 2006, 2007, 2008, 2009 and 2010 were \$8,085, \$10,490, \$11,967, \$12,320 and \$13,861, 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 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: Tax Spending and Debt Limitations

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

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

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

In May 1994, a majority of the District's electors passed ballot issues concerning increased tax revenues, mill levies, debt limits and spending without regard to any limitations under TABOR as related to the debt service mill levy. In November 1996, the voters of the District approved a ballot measure which allows the District to retain and spend all revenues and other funds received from any source including taxes from the District's mill levy of 19 mills for each year thereafter without limitation under TABOR and the 5.5% limitation under 29-1-301 of the CRS, as amended.

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 its 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.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2010

Note 10: District Dissolution

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. The District filed a Petition for Dissolution and Request for Continuance on April 5, 2010. The District Court granted the District a six month continuance on May 19, 2010.

On October 21, 2010, the District requested an additional seven month continuance until June 19, 2011, which was granted on October 26, 2010. As of June 17, 2011, though considerable effort has been made to formulate a Plan for Dissolution (“Plan”) to address the District’s statutory obligations, no Plan has been completed and, accordingly, on June 17, 2011 the District filed a request for an additional seven month continuance until February 1, 2012. The City has objected to the request. No order has yet been received from the District Court.

The cost to the District of the dissolution process has been and will continue to be significant.

Material Adverse Change

In March 2010, the District received a letter from Wells Fargo Bank N.A. (“Bank”), the owner of the 2008 and 2009 Credit Facilities associated with the District’s Certificates of Participation financing (“COPs”) (see Note 4). The letter notified the District that, in the judgment of the Bank, the dissolution of the District would be a “Material Adverse Change” under the COPs’ definition. The Bank believes that the current ability of the District to meet its obligations under the COPs may be materially and adversely affected by the filing of the Application for Dissolution, and has frozen any further advances under the District agreements. The ultimate result of the Bank’s position is uncertain at this time. In order for the District to make use of its Hock Hocking water rights (see Note 6), the District is working with the Centennial Water and Sanitation District to construct a \$13 million InterConnect Pump Station and Pipeline. The District is in the process of completing the Pump Station portion of the project, and is working with the Bank to allow future advances to fund the balance of the project.

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, 2010

With Comparative Totals for the Year Ended December 31, 2009

	2010			2009 <u>Actual</u>
	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	
REVENUES				
Property taxes	\$ 3,142,115	\$ 3,201,940	\$ 59,825	\$ 3,309,435
Intergovernmental revenues	232,683	243,446	10,763	244,389
Investment income	<u>1,200</u>	<u>773</u>	<u>(427)</u>	<u>9,747</u>
Total Revenues	<u>3,375,998</u>	<u>3,446,159</u>	<u>70,161</u>	<u>3,563,571</u>
EXPENDITURES				
Treasurer's fees	48,500	48,029	471	49,731
Bond principal	2,645,000	2,645,000	-	2,905,000
Bond interest	804,400	718,651	85,749	778,017
Other long-term debt expenses	<u>46,900</u>	<u>45,782</u>	<u>1,118</u>	<u>56,113</u>
Total Expenditures	<u>3,544,800</u>	<u>3,457,462</u>	<u>87,338</u>	<u>3,788,861</u>
NET CHANGE IN FUND BALANCE	(168,802)	(11,303)	157,499	(225,290)
FUND BALANCE:				
BEGINNING OF YEAR	<u>281,131</u>	<u>357,145</u>	<u>76,014</u>	<u>582,435</u>
END OF YEAR	<u>\$ 112,329</u>	<u>\$ 345,842</u>	<u>\$ 233,513</u>	<u>\$ 357,145</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, 2010

With Comparative Totals for the Year Ended December 31, 2009

	2010			2009 Actual
	Original & Final		Variance	
	Budget	Actual	Favorable (Unfavorable)	
REVENUES				
Water charges	\$ 2,425,820	\$ 2,712,628	\$ 286,808	\$ 2,211,999
Wastewater charges	1,282,255	1,309,028	26,773	1,202,987
Storm drainage charges	166,534	168,830	2,296	249,126
Investment income	13,900	11,603	(2,297)	28,872
Capital improvement fees	1,078,431	1,096,088	17,657	1,031,840
Connect fees	237,000	269,200	32,200	596,000
Infrastructure fees	-	-	-	45,000
Utility rebates	11,000	28,422	17,422	11,021
Total Revenues	<u>5,214,940</u>	<u>5,595,799</u>	<u>380,859</u>	<u>5,376,845</u>
EXPENDITURES				
Water operations				
General overhead	36,900	36,438	462	30,449
Salaries and wages	192,250	169,773	22,477	148,782
Employee benefits and taxes	75,091	60,658	14,433	48,540
Memberships, training and subscriptions	2,000	2,010	(10)	984
Engineering	80,000	138,187	(58,187)	96,705
Repairs and maintenance	432,400	452,295	(19,895)	287,516
Utilities	865,700	749,763	115,937	608,751
Equipment and supplies	37,500	35,279	2,221	28,939
Treatment costs	3,000	3,475	(475)	1,532
Water rebates	30,000	30,749	(749)	44,859
Other projects	614,074	107,027	507,047	233,542
Contingency	1,440,000	-	1,440,000	-
Total Water operations	<u>3,808,915</u>	<u>1,785,654</u>	<u>2,023,261</u>	<u>1,530,599</u>
Wastewater operations				
General overhead	29,500	25,769	3,731	26,745
Salaries and wages	154,000	137,353	16,647	148,782
Employee benefits and taxes	59,829	48,845	10,984	48,540
Memberships, training and subscriptions	1,500	265	1,235	119
Engineering	25,000	1,022	23,978	25,620
Repairs and maintenance	555,400	113,470	441,930	185,204
Utilities	76,400	70,039	6,361	59,973
Equipment, supplies & other projects	5,500	36,099	(30,599)	108,141
Treatment costs	765,582	765,582	-	744,237
Contingency	180,000	-	180,000	-
Total Wastewater operations	<u>1,852,711</u>	<u>1,198,444</u>	<u>654,267</u>	<u>1,347,361</u>
Storm drainage operations				
General overhead	14,450	9,108	5,342	9,340
Salaries and wages	36,750	32,543	4,207	70,941
Employee benefits and taxes	15,176	12,642	2,534	24,626
Engineering	5,000	-	5,000	4,959
Repairs and maintenance	103,700	48,768	54,932	64,392
Equipment, supplies & other projects	3,000	29	2,971	607
Contingency	180,000	-	180,000	-
Total Storm drainage operations	<u>358,076</u>	<u>103,090</u>	<u>254,986</u>	<u>174,865</u>
Capital outlay	<u>4,792,700</u>	<u>3,094,237</u>	<u>1,698,463</u>	<u>3,018,636</u>
Total Expenditures	<u>10,812,402</u>	<u>6,181,425</u>	<u>4,630,977</u>	<u>6,071,461</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,597,462)</u>	<u>(585,626)</u>	<u>5,011,836</u>	<u>(694,616)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>500,000</u>
Total Other Financing Sources	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>500,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ (5,097,462)</u>	<u>\$ (585,626)</u>	<u>\$ 4,511,836</u>	<u>\$ (194,616)</u>

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	<u>2010</u>	<u>2009</u>
Excess of revenues over expenditures	\$ (585,626)	\$ (194,616)
Add capital expenditures which are not an expense	3,308,680	3,018,636
Deduct accrued note interest which is an expense	(152,795)	-
Deduct depreciation which is an expense	<u>(1,287,358)</u>	<u>(1,194,180)</u>
Changes in Net Assets per Statement of Revenues, Expenses and Changes in Net Assets	<u>\$ 1,282,901</u>	<u>\$ 1,629,840</u>

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

CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION
AS REQUIRED BY THE GENERAL OBLIGATION BONDS, SERIES 2006

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2010

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>
1997/1998	\$ 20,246,940	\$ -	0.00%
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%

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>
1997/1998	\$ 1,360,230	\$ 1,296,523	95.32%
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	5,967,252	99.87%

¹ Figures include current and delinquent tax collections, penalties, and (prior to 2009) 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's financial records

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2010

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	\$ 122,416,990	83.44%	\$ 1,537,891,311	94.83%
Commercial	17,245,680	11.76%	59,467,916	3.66%
Vacant	3,042,580	2.07%	10,491,812	0.65%
State Assessed	79,150	0.05%	272,908	0.02%
Agricultural	1,250	0.00%	4,415	0.00%
Other Natural Resources	130	0.00%	458	0.00%
Personal Property	<u>3,934,850</u>	<u>2.68%</u>	<u>13,568,648</u>	<u>0.84%</u>
Total	<u>\$ 146,720,630</u>	<u>100.00%</u>	<u>\$ 1,621,697,468</u>	<u>100.00%</u>

Source: Douglas County Assessor's Office

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	\$ 543,221,541	3.20%	\$ 17,383,089

Source: Douglas County Assessor's Office

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2010

UNAUDITED

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES					
Property taxes	\$ 2,335,680	\$ 2,420,288	\$ 2,576,169	\$ 2,619,969	\$ 2,765,312
HB 1006 property taxes	34,274	18,219	10,811	-	-
Specific ownership taxes	533,780	546,683	499,231	444,704	407,733
Conservation Trust Fund	42,199	40,597	42,000	39,760	38,381
Lease income	54,157	59,820	61,830	111,625	122,648
Base Rental income	-	-	100,000	575,000	870,000
Investment income	257,430	314,361	163,999	29,995	2,065
Miscellaneous income	13,118	44,375	10,039	11,274	12,244
Total Revenues	<u>3,270,638</u>	<u>3,444,343</u>	<u>3,464,079</u>	<u>3,832,327</u>	<u>4,218,383</u>
EXPENDITURES					
General government	648,003	672,448	1,212,537	2,098,823	2,857,179
Public works/parks	515,118	627,791	750,654	1,829,941	679,376
Capital outlay	699,696	574,410	8,623,025	11,320,982	34,641
Total Expenditures	<u>1,862,817</u>	<u>1,874,649</u>	<u>10,586,216</u>	<u>15,249,746</u>	<u>3,571,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	1,407,821	1,569,694	(7,122,137)	(11,417,419)	647,187
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)	(500,000)	-
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>8,085,000</u>	<u>15,575,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	907,821	1,069,694	962,863	4,157,581	647,187
FUND BALANCE - BEGINNING OF YEAR					
	<u>4,207,787</u>	<u>5,115,608</u>	<u>6,185,302</u>	<u>7,148,165</u>	<u>11,305,746</u>
FUND BALANCE - END 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>

Source: District's 2006 - 2010 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2010

UNAUDITED

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES					
Property taxes	\$ 2,948,703	\$ 3,057,205	\$ 3,254,108	\$ 3,309,435	\$ 3,201,940
HB 1006 property taxes	43,292	23,014	13,656	-	-
Investment income	216,476	131,328	37,908	9,747	773
Tap A	143,500	-	-	-	-
Tap B	135,000	-	-	-	-
Hidden Pointe Taxes	<u>218,642</u>	<u>225,759</u>	<u>250,536</u>	<u>244,389</u>	<u>243,446</u>
Total Revenues	<u>3,705,613</u>	<u>3,437,306</u>	<u>3,556,208</u>	<u>3,563,571</u>	<u>3,446,159</u>
EXPENDITURES					
General government ¹	49,325	48,587	49,858	49,731	48,029
Debt service - principal & interest	21,273,496	4,134,373	3,217,147	3,683,017	3,363,651
Debt service - other related	<u>685,517</u>	<u>80,275</u>	<u>79,169</u>	<u>56,113</u>	<u>45,782</u>
Total Expenditures	<u>22,008,338</u>	<u>4,263,235</u>	<u>3,346,174</u>	<u>3,788,861</u>	<u>3,457,462</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(18,302,725)	(825,929)	210,034	(225,290)	(11,303)
OTHER FINANCING SOURCES (USES)					
Proceeds from refunding bonds	31,010,000	-	-	-	-
Bond premium (discount)	265,339	-	-	-	-
Escrow payment	<u>(18,258,024)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>13,017,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	(5,285,410)	(825,929)	210,034	(225,290)	(11,303)
FUND BALANCE - BEGINNING OF YEAR					
	<u>6,483,740</u>	<u>1,198,330</u>	<u>372,401</u>	<u>582,435</u>	<u>357,145</u>
FUND BALANCE - END OF YEAR					
	<u>\$ 1,198,330</u>	<u>\$ 372,401</u>	<u>\$ 582,435</u>	<u>\$ 357,145</u>	<u>\$ 345,842</u>

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

Source: District's 2006 - 2010 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2010

UNAUDITED

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

	<u>2011 Budget</u>	<u>2010 Budget</u>	<u>2010 Actual</u>
REVENUES			
Property taxes	\$ 2,759,815	\$ 2,713,645	\$ 2,765,312
Specific ownership taxes	410,000	450,000	407,733
Conservation Trust Fund	39,100	41,854	38,381
Lease income	263,286	108,100	122,648
Base Rental income	1,436,499	1,352,800	870,000
Investment income	1,925	1,535	2,065
Miscellaneous income	7,000	7,500	12,244
	<u>4,917,625</u>	<u>4,675,434</u>	<u>4,218,383</u>
EXPENDITURES			
General government	3,749,360	3,442,808	2,857,179
Public works/parks/open space	945,222	733,782	679,376
Capital outlay	10,489,568	10,723,868	34,641
Contingency	100,000	100,000	-
Emergency reserve	105,000	98,500	-
Transfer to Enterprise Fund	-	500,000	-
	<u>15,389,150</u>	<u>15,598,958</u>	<u>3,571,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(10,471,525)	(10,923,524)	647,187
FUND BALANCE - BEGINNING OF YEAR	<u>11,252,438</u>	<u>11,106,779</u>	<u>11,305,746</u>
FUND BALANCE - END OF YEAR	<u>\$ 780,913</u>	<u>\$ 183,255</u>	<u>\$ 11,952,933</u>

Note: General Fund includes Conservation Trust Fund.

Source: District's 2010 audited Financial Statements and the District's 2010 and 2011 Budgets.

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2010

UNAUDITED

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

	<u>2011 Budget</u>	<u>2010 Budget</u>	<u>2010 Actual</u>
REVENUES			
Property taxes	\$ 3,195,575	\$ 3,142,115	\$ 3,201,940
Investment income	826	1,200	773
Hidden Pointe taxes	<u>235,041</u>	<u>232,683</u>	<u>243,446</u>
Total Revenues	<u>3,431,442</u>	<u>3,375,998</u>	<u>3,446,159</u>
EXPENDITURES			
County treasurer's fees	47,934	48,500	48,029
Bond principal	2,885,000	2,645,000	2,645,000
Bond interest	714,975	804,400	718,651
Paying agent fees	5,000	5,500	4,100
Letter of credit fees	24,600	35,400	36,520
Remarketing fees	<u>4,000</u>	<u>6,000</u>	<u>5,162</u>
Total Expenditures	<u>3,681,509</u>	<u>3,544,800</u>	<u>3,457,462</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(250,067)	(168,802)	(11,303)
FUND BALANCE - BEGINNING OF YEAR	<u>276,428</u>	<u>281,131</u>	<u>357,145</u>
FUND BALANCE - END OF YEAR	<u>\$ 26,361</u>	<u>\$ 112,329</u>	<u>\$ 345,842</u>

Source: District's 2010 audited Financial Statements and the District's 2010 and 2011 Budgets.