

CASTLE PINES NORTH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2011

with

Independent Auditors' Report

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Castle Pines North Metropolitan District, Douglas County, Colorado, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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

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

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

Simmons & Wheeler P.C.

May 31, 2012

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET ASSETS

December 31, 2011

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

Functions/Programs	Total Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		2010	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Total
Governmental Activities:								
General government	\$ 2,732,916	\$ 82,851	\$ 971,495	\$ -	\$ (1,678,570)	\$ -	\$ (1,678,570)	\$ (1,071,833)
Intergovernmental revenues	-	-	276,535	-	276,535	-	276,535	281,827
Interest and related costs on long-term debt	1,392,069	-	-	-	(1,392,069)	-	(1,392,069)	(2,007,191)
Depreciation	295,126	-	-	-	(295,126)	-	(295,126)	(301,125)
Total Governmental Activities	<u>4,420,111</u>	<u>82,851</u>	<u>1,248,030</u>	<u>-</u>	<u>(3,089,230)</u>	<u>-</u>	<u>(3,089,230)</u>	<u>(3,098,322)</u>
Business-Type Activities:								
Water	3,134,950	2,760,060	-	1,477,984	-	1,103,094	1,103,094	1,032,880
Wastewater	1,506,754	1,310,408	-	113,088	-	(83,258)	(83,258)	(65,225)
Storm drainage	72,604	127,232	-	-	-	54,628	54,628	60,778
Total Business-Type Activities	<u>4,714,308</u>	<u>4,197,700</u>	<u>-</u>	<u>1,591,072</u>	<u>-</u>	<u>1,074,464</u>	<u>1,074,464</u>	<u>1,028,433</u>
Total	<u>\$ 9,134,419</u>	<u>\$ 4,280,551</u>	<u>\$ 1,248,030</u>	<u>\$ 1,591,072</u>	<u>(3,089,230)</u>	<u>1,074,464</u>	<u>(2,014,766)</u>	<u>(2,069,889)</u>
General Revenues:								
Property taxes					6,003,341	-	6,003,341	5,967,252
Specific ownership taxes					397,722	-	397,722	407,733
Miscellaneous income					12,818	19,218	32,036	40,666
Interest income					15,973	6,502	22,475	14,441
Total General Revenues					<u>6,429,854</u>	<u>25,720</u>	<u>6,455,574</u>	<u>6,430,092</u>
Change in Net Assets					3,340,624	1,100,184	4,440,808	4,360,203
Net Assets - Beginning					<u>38,953,177</u>	<u>47,738,570</u>	<u>86,691,747</u>	<u>82,331,544</u>
Net Assets - Ending					<u>\$ 42,293,801</u>	<u>\$ 48,838,754</u>	<u>\$ 91,132,555</u>	<u>\$ 86,691,747</u>

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

With Comparative Totals for December 31, 2010

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

With Comparative Totals For the Year Ended December 31, 2010

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET ASSETS

ENTERPRISE FUND

December 31, 2011

With Comparative Totals for December 31, 2010

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

ENTERPRISE FUND

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

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

The Statement of Net Assets reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net assets.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. The material sources of revenue subject to accrual are property taxes and interest. Expenditures are recorded when the liability is incurred or the long-term obligation is paid.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Budgets

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

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

Statement of Cash Flows

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

Assets, Liabilities, and Net Assets

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

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

Allowance for Doubtful Accounts

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

Property Tax

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

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

Estimates

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

Capital Assets

Capital assets, which include property, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Costs of Issuance – Certificates of Participation

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

Fund Balance and Net Assets

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

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

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

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

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

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

Unassigned – all other spendable amounts.

Comparative Data

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

Note 2: Cash and Investments

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Deposits

Custodial Credit Risk - Deposits

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

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

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

Investments

Credit risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

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

COLOTRUST

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

Federated Treasury Obligations Fund

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

Wells Fargo Secured Institutional Money Market Account

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

Note 3: Capital Assets

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

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

Note 4: Long-Term Debt

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

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

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

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

General Obligation Debt Authorization

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

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

Meadow Island and Lupton Bottom Water Shares Note Payable

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

Note 5: Segment Information

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

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

Note 6: District Agreements

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

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

Castle Pines North Golf Company

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Plum Creek Wastewater Authority

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

Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Hock Hocking Water Rights

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

Note 7: Employee Pension and Healthcare Benefit Plans

Defined Benefit Pension Plan

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

Postemployment Healthcare Benefits

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

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

Defined Contribution Pension Plan

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

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

Basis of Accounting for the MDTF and HCTF

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

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

Note 8: TABOR Amendment

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Note 9: Risk Management

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

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on a basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10: District Dissolution

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

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

Note 11: Subsequent Events

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

SUPPLEMENTAL INFORMATION

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2011

With Comparative Totals for the Year Ended December 31, 2010

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

ENTERPRISE FUND - SEGMENT DETAILS

For the Year Ended December 31, 2011

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

**CONTINUING DISCLOSURE
December 31, 2011
UNAUDITED**

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

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

¹ Includes New Growth Assessed Valuation

Source: Douglas County Assessor's Office

**TABLE V (Series 2006A)
Historical Property Tax Collections**

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

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

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

Source: District audited financial statements and the District

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

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

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

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

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

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 School District RE-1 CAFR, Statistical Section

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

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

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

Source: District's 2007 - 2011 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

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

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

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

Source: District's 2007 - 2011 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

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

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

Note: General Fund includes the Conservation Trust Fund.

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2011

UNAUDITED

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

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

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