

CASTLE PINES NORTH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2012

with

Independent Auditors' Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Net Position - Enterprise Funds	6
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Funds	7
Statement of Cash Flows – Enterprise Funds	8
Notes to Financial Statements	9
<u>Required Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	37
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	38
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - Enterprise Funds	39
Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) to the Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds	40
Schedule of Revenues, Expenses and Changes in Net Position - Enterprise Funds – Segment Details	41
<u>Continuing Disclosure</u>	
Annual Financial Information Required by the General Obligation Bonds, Series 2006	42

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

Independent Auditors' Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other-Matters

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplemental has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

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

Simmons & Wheeler P.C.

Centennial, CO
July 15, 2013

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2012

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

Functions/Programs	Total Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total	2011
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Governmental Activities:							
General government	\$ 2,628,504	\$ 80,712	\$ 982,940	\$ -	\$ (1,564,852)	\$ (1,564,852)	\$ (1,678,570)
Intergovernmental revenues	-	-	245,240	-	245,240	245,240	276,535
Interest and related costs on long-term debt	1,806,869	-	-	-	(1,806,869)	(1,806,869)	(1,392,069)
Depreciation	254,925	-	-	-	(254,925)	(254,925)	(295,126)
Total Governmental Activities	<u>4,690,298</u>	<u>80,712</u>	<u>1,228,180</u>	<u>-</u>	<u>(3,381,406)</u>	<u>(3,381,406)</u>	<u>(3,089,230)</u>
Business-Type Activities:							
Water	3,589,726	2,763,691	-	1,326,700	-	500,665	1,103,094
Wastewater	1,366,493	1,300,973	-	116,136	-	50,616	(83,258)
Storm drainage	110,968	128,708	-	-	-	17,740	54,628
Total Business-Type Activities	<u>5,067,187</u>	<u>4,193,372</u>	<u>-</u>	<u>1,442,836</u>	<u>-</u>	<u>569,021</u>	<u>1,074,464</u>
Total	<u>\$ 9,757,485</u>	<u>\$ 4,274,084</u>	<u>\$ 1,228,180</u>	<u>\$ 1,442,836</u>	<u>(3,381,406)</u>	<u>569,021</u>	<u>(2,014,766)</u>
General Revenues:							
Property taxes					5,309,756	-	6,003,341
Specific ownership taxes					409,994	-	397,722
Miscellaneous income					12,113	87,300	32,036
Transfers from other funds					(10,364,205)	10,364,205	-
Interest income					17,082	14,156	22,475
Total General Revenues					<u>(4,615,260)</u>	<u>10,465,661</u>	<u>6,455,574</u>
Change in Net Position					(7,996,666)	11,034,682	4,440,808
Net Position - Beginning (Restated)					41,677,679	48,838,754	86,691,747
Net Position - Ending					<u>\$ 33,681,013</u>	<u>\$ 59,873,436</u>	<u>\$ 91,132,555</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, 2012

With Comparative Totals for December 31, 2011

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2012

With Comparative Totals For the Year Ended December 31, 2011

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - Total governmental funds	\$ (10,079,398)	\$ 428,495
<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>		
Depreciation expense	(254,925)	(295,126)
<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 position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Bonds - cost of refunding amortization	(791,605)	(202,150)
Bonds - premium amortization	16,271	17,258
Bonds - principal payments	2,530,000	2,885,000
Certificates of Participation - principal payments	580,000	555,000
<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>		
Accrued interest on bonds payable	<u>2,991</u>	<u>8,062</u>
Change in Net Position of Governmental Activities	<u>\$ (7,996,666)</u>	<u>\$ 3,396,539</u>

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF NET POSITION
ENTERPRISE FUNDS
December 31, 2012

With Comparative Totals for December 31, 2011

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Recently Issued and Adopted Accounting Pronouncements

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

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

Basis of Presentation

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Budgets

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

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

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

Statement of Cash Flows

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

Assets, Liabilities, and Net Position

Fair Value of Financial Instruments

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Cash and Cash Equivalents

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

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

Allowance for Doubtful Accounts

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

Property Tax

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Deferred Outflows/Inflows of Resources

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

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

Estimates

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

Capital Assets

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

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

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

Compensated Absences

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

Long-Term Obligations

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

Bond Cost of Refunding and Bond Premiums – Series 2006 Bonds

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

Fund Balance and Net Position

Fund Balances

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

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

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

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

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

Unassigned – all other spendable amounts.

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

Net Position

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

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

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

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

Comparative Data

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

Note 2: Cash and Investments

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

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

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

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

Deposits

Custodial Credit Risk - Deposits

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

Investments

Credit risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

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

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

Federated Treasury Obligations Fund

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

COLOTRUST

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

Wells Fargo Secured Institutional Money Market Account

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

Note 3: Capital Assets

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

<u>Governmental Activities:</u>	<u>Balance</u> <u>01-01-12</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance</u> <u>12-31-12</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	(138,512)	(13,514)	-	(152,026)
Parks, buildings & equipment	(1,317,485)	(171,167)	-	(1,488,652)
Concrete trails	(465,525)	(49,693)	-	(515,218)
Asphalt trails	(282,064)	(4,444)	-	(286,508)
Irrigation systems	(239,458)	(13,781)	-	(253,239)
Office furniture & equipment	<u>(16,646)</u>	<u>(2,326)</u>	<u>-</u>	<u>(18,972)</u>
Total accumulated depreciation	<u>(2,459,690)</u>	<u>(254,925)</u>	<u>-</u>	<u>(2,714,615)</u>
Net capital assets being depreciated	<u>2,855,812</u>	<u>(254,925)</u>	<u>-</u>	<u>2,600,887</u>
Governmental Assets, Net	<u>\$ 66,176,871</u>	<u>\$ (254,925)</u>	<u>\$ -</u>	<u>\$ 65,921,946</u>

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

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

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

Note 4: Long-Term Debt

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

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

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

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

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

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

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

General Obligation Debt Authorization

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

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

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2012

Meadow Island and Lupton Bottom Water Shares Note Payable

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

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

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

Note 5: Segment Information

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Note 6: District Agreements

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

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

Castle Pines North Golf Company

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

Plum Creek Wastewater Authority

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Reuter-Hess Reservoir Water Storage Space Intergovernmental Agreement

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

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

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

Hock Hocking Water Rights

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Note 7: Employee Pension and Healthcare Benefit Plans

Defined Benefit Pension Plan

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

Postemployment Healthcare Benefits

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

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

Defined Contribution Pension Plan

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

Basis of Accounting for the MDTF and HCTF

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

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

Note 8: TABOR Amendment

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

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

Note 9: Risk Management

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2012

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

Note 10: District Dissolution

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

Note 11: Interfund Transfers

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

Note 12: Subsequent Events

The District has evaluated subsequent events through July 15, 2013, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

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

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

SUPPLEMENTAL INFORMATION

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 ENTERPRISE FUNDS - SEGMENT DETAILS
 For the Year Ended December 31, 2012

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

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

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

¹ Includes New Growth Assessed Valuation

Source: Douglas County Assessor's Office

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

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

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

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

Source: District audited financial statements and the District

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

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

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

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

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

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

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

**CONTINUING DISCLOSURE
December 31, 2012
UNAUDITED**

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

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

Source: District's 2008 - 2012 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

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

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

¹ Expenditures for General Government represent the county treasurer's fees for property tax collection.
Source: District's 2008 - 2012 Financial Statements

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

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

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

Note: General Fund includes Conservation Trust Fund.

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

CASTLE PINES NORTH METROPOLITAN DISTRICT

CONTINUING DISCLOSURE

December 31, 2012

UNAUDITED

TABLE X (Series 2006A & B) & TABLE IX (Series 2006C)

Debt Service Fund Budget Summary and Comparison

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

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