



## **TRIVIEW METROPOLITAN DISTRICT**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

YEAR ENDED DECEMBER 31, 2010

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Pamela Smith – District Financial Manager

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DECEMBER 31, 2010**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Triview Metropolitan District  
Monument, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Triview Metropolitan District, as of and for the year ended December 31, 2010, which collectively comprise Triview Metropolitan District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Triview Metropolitan District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Triview Metropolitan District, as of December 31, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Triview Metropolitan District's financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate 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 as a whole.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
May 09, 2011

## **TRIVIEW METROPOLITAN DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis (MD&A) is presented to provide an overview of the financial activities and conditions for the fiscal year ending on December 31, 2010. The MD&A contains information currently known to management as of the date of the auditor's report. The MD&A should be read in conjunction with the District's financial statement that accompanies this report.

### **FINANCIAL STATEMENTS**

#### **OVERVIEW**

The financial statements consist of three parts – management discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- > The first two are government-wide statements that provide both long-term and short-term information about the District's overall financial status.
- > The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

#### **Government Wide Statements.**

The government wide statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information about the District as a whole and include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net assets and changes in them. The District's net assets – the difference between assets and liabilities – are one way to measure the District's financial status, or financial position. Over time increases or decreases in the District's net assets are one indicator whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base (Assessed Valuation) are needed to assess the overall strength of the District.

#### **Fund Financial Statements.**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds – not the District as a whole. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Fund. The activity of the District's General fund is reported as a governmental fund, which focuses on how money flows into and out of the General fund. This fund is reported using the modified accrual accounting method, which measures cash and all of the other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs.

Proprietary (Enterprise) Fund. The activity of the District Enterprise fund is to report the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's Enterprise fund is the same as the business-type activities reported in the governmental-wide statements but provides more detailed and additional information, such as cash flows.

District Specific. The Triview Metropolitan District utilizes two separate financial categories of activities; one for the general district functions and one for the enterprise, or business-type functions. Each of these, in turn, is segregated into operational and capital functions. Together, these comprise the overall government-wide statements. The Governmental, or general, covers the public functions involving: administration; streets; drainage; landscaping; traffic control; street lighting; street signage; environmental and mosquito control. The Proprietary, or Business-type, involves the public provision of: water; wastewater; reuse water; related administration and environmental functions. The Governmental functions are funded by property taxes, sales taxes, impact fees and bond financing when required. The Proprietary functions are funded by water and sewer user charges, tap fees and, similarly, bond financing when required for capital projects.

#### **FINANCIAL HIGHLIGHTS:**

- > Total Assets equaled: \$47,071,274 for 2009 and \$47,045,391 for 2010.
- > Cash, Cash Equivalents and Investments as of December 31, 2010 were \$9,426,254.
- > Total Liabilities for 2010 equaled \$56,616,519.
- > Net Assets totaled (\$9,571,128)
- > Governmental change in Net Assets from 2009 to 2010 totaled \$624,386
- > Business-Type change in Net Assets from 2009 to 2010 totaled \$419,738.

#### **FINANCIAL POSITION & RESULTS FROM OPERATIONS:**

| <b>NET ASSETS</b>        | Governmental<br>Activities 2009 | Governmental<br>Activities 2010 | Proprietary<br>Activities 2009 | Proprietary<br>Activities 2010 | Total<br>Activities 2009 | Total<br>Activities 2010 |
|--------------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------|
| <b>ASSETS</b>            |                                 |                                 |                                |                                |                          |                          |
| Other Assets             | 9,469,368                       | 10,479,009                      | 2,045,862                      | 1,930,029                      | 11,515,230               | 12,409,038               |
| Capital Assets           | 10,657,571                      | 10,365,368                      | 24,898,473                     | 24,270,985                     | 35,556,044               | 34,636,353               |
| <b>Total Assets</b>      | <b>20,126,939</b>               | <b>20,844,377</b>               | <b>26,944,335</b>              | <b>26,201,014</b>              | <b>47,071,274</b>        | <b>47,045,391</b>        |
| <b>LIABILITIES</b>       |                                 |                                 |                                |                                |                          |                          |
| Current Liabilities      | 2,458,511                       | 2,432,007                       | 2,399,658                      | 2,236,818                      | 4,858,169                | 4,668,825                |
| Long-term Liabilities    | 46,031,660                      | 46,151,216                      | 6,360,697                      | 5,796,478                      | 52,392,357               | 51,947,694               |
| <b>Total Liabilities</b> | <b>48,490,171</b>               | <b>48,583,223</b>               | <b>8,760,355</b>               | <b>8,033,296</b>               | <b>57,250,526</b>        | <b>56,616,519</b>        |
| <b>NET ASSETS</b>        |                                 |                                 |                                |                                |                          |                          |
| Invested Assets          | (33,282,084)                    | (33,859,304)                    | 23,799,815                     | 23,318,829                     | (9,482,269)              | (10,540,475)             |
| Restricted Assets        | 5,375,779                       | 2,627,838                       | 472,247                        | 351,089                        | 5,848,026                | 2,978,927                |
| Unrestricted Assets      | (456,927)                       | 3,492,620                       | (6,088,082)                    | (5,502,200)                    | (6,545,009)              | (2,009,580)              |
| <b>Total Net Assets</b>  | <b>(28,363,232)</b>             | <b>(27,738,846)</b>             | <b>18,183,980</b>              | <b>18,167,718</b>              | <b>(10,179,252)</b>      | <b>(9,571,128)</b>       |

Triview Metropolitan District was formed in 1985. In 1987 debt was placed upon Triview and by 1988 the developer filed for bankruptcy. This “Old Debt” remained in place accruing interest at 12.21% annual rate with no payments being made. This is referred to as the “Inactive Period”. In 1994 the majority of the land within the District was acquired by a new developer and in 1997 a development agreement was reached whereby all of the previous debt and any new debt to that developer became Limited Tax Obligation Debt, or “Unscheduled Bonds” resembling “Revenue Bonds”. The point-in-time from 1998 onward is referred to as the “Active Period”.

The Old Debt had paid for a portion of the sewer system, a partially constructed water tank, partial road grading and soft costs; but nothing at that stage, the Inactive Period, could provide services. In order to service the first house within Triview, additional funds had to be obtained to complete the water and sewer systems, construct streets and improve the site drainage along with other required improvements. This funding initially took the form of developer loans that were then converted into Limited Tax Liability Bonds during this Active Period.

The current financial position is the result of the District investing in infrastructure in order to provide services. That infrastructure is being depreciated. The debt in excess of that directly related to the infrastructure equates to the accruing interest costs thus resulting in the status of the net assets.

| <b>PROGRAM REVENUE<br/>BY SOURCE</b> | Governmental<br>Activities 2009 | Governmental<br>Activities 2010 | Business-Type<br>Activities 2009 | Business-Type<br>Activities 2010 | Total<br>Activities 2009 | Total<br>Activities 2010 |
|--------------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|--------------------------|--------------------------|
| <b>PROGRAM</b>                       |                                 |                                 |                                  |                                  |                          |                          |
| Charges of Services:                 |                                 |                                 |                                  |                                  |                          |                          |
| User Charges (Rates)                 | 90                              | -                               | 1,223,142                        | 1,397,998                        | 1,223,232                | 1,397,998                |
| Impact Fees                          | 226,683                         | 118,377                         | -                                | -                                | 226,683                  | 118,377                  |
| Capital Contributions:               |                                 |                                 |                                  |                                  |                          |                          |
| Water & Sewer Tap Fees               | -                               | -                               | 210,720                          | 534,960                          | 210,720                  | 534,960                  |
| Contributions                        | 13,227                          | -                               | 0                                | -                                | 13,227                   | -                        |
| <b>GENERAL</b>                       |                                 |                                 |                                  |                                  |                          |                          |
| Tax Revenues                         | 3,559,686                       | 3,858,002                       | -                                | -                                | 3,559,686                | 3,858,002                |
| Interest Income                      | 127,581                         | 30,143                          | 10,136                           | 5,485                            | 137,717                  | 35,628                   |
| Other                                | 69,013                          | 12,616                          | 40,690                           | 518,722                          | 109,703                  | 531,338                  |
| <b>Total Revenues</b>                | <b>3,996,280</b>                | <b>4,019,138</b>                | <b>1,484,688</b>                 | <b>2,457,165</b>                 | <b>5,480,968</b>         | <b>6,476,303</b>         |
| <b>FUNCTION</b>                      |                                 |                                 |                                  |                                  |                          |                          |
| General government                   | 216,363                         | 173,587                         | -                                | -                                | 216,363                  | 173,587                  |
| Streets                              | 641,470                         | 510,872                         | -                                | -                                | 641,470                  | 510,872                  |
| Lighting                             | 17,917                          | 30,208                          | -                                | -                                | 17,917                   | 30,208                   |
| Signage                              | 617                             | 2,322                           | -                                | -                                | 617                      | 2,322                    |
| Traffic control                      | 36,982                          | 43,728                          | -                                | -                                | 36,982                   | 43,728                   |
| Drainage                             | -                               | 1,101                           | -                                | -                                | -                        | 1,101                    |
| Mosquito control                     | -                               | -                               | -                                | -                                | -                        | -                        |
| Parks                                | 128,069                         | 199,149                         | -                                | -                                | 128,069                  | 199,149                  |
| Conservation                         | 230                             | 17,519                          | -                                | -                                | 230                      | 17,519                   |
| Debt service                         | 1,334,725                       | 2,307,115                       | -                                | -                                | 1,334,725                | 2,307,115                |
| Water, Wastewater,<br>and Reuse      | -                               | -                               | 5,157,557                        | 2,146,578                        | 5,157,557                | 2,146,578                |
| <b>Total Expenditures</b>            | <b>2,376,373</b>                | <b>3,285,601</b>                | <b>5,157,557</b>                 | <b>2,146,578</b>                 | <b>7,533,930</b>         | <b>5,432,179</b>         |
| Transfers                            |                                 | (109,151)                       |                                  | 109,151                          |                          |                          |
| Change in Net Assets                 | 1,619,907                       | 624,386                         | (3,672,869)                      | 419,738                          | (2,052,962)              | 1,044,124                |
| Net assets - beginning               | (29,983,139)                    | (28,363,232)                    | 21,856,849                       | 17,747,980                       | (8,126,290)              | (10,615,252)             |
| Net assets - ending                  | (28,363,232)                    | (27,738,846)                    | 18,183,980                       | 18,167,718                       | (10,179,252)             | (9,571,128)              |

Governmental Activities exhibit a positive change in net assets primarily attributable to refinancing of the 2003A and 2006A Bonds to one issue, the 2009 Series Bond. The District continued to operate with the Town of Monument management staff, resulting in a savings over 2009 administrative expenses. Proprietary (Business-Type) Activities show a slight decrease of \$16k in net assets due to an increase in expenses due to the spending of 2006A Project Fund money on water system improvements. The Proprietary Activities have user charges (rates) to help compensate for operating costs. The Governmental Activities do not have any continual revenue source, such as operating charges, and must rely upon the overall tax collection and impact fees of the District.

The revenue has a direct effect on the overall condition of Triview relative to investment in infrastructure and the resulting charges for depreciation. The amount of investment in the operating systems in place is being depreciated at a rate that exceeds revenues and is reflected accordingly.

**ANALYSIS OF POSITION:**

The overall financial position of the District increased during 2010, due to increased revenues and minimal expenditures on capital projects in 2010.

There were no changes made to the original budget. The general fund final budget versus actual amounts demonstrates a slight increase in revenues from various sources during the year. The expenditures incurred were considerably less than budgeted. The methodology for accounting for the 2009 Series General Obligation Bond has been reflected in the General Fund due to property tax being the source for repayment of that debt.

Capital assets for both the Governmental Activities and the Business-type Activities decreased due to capital outlays of only \$312,313 and depreciation in excess of the additional capital. Triview has constructed facilities that, in some cases, will serve the build-out population yet the District is less than 30% and probably 15 years from build out status. These facilities are depreciated, as necessary, at a logical rate. The difficulty is that there is not enough development at this time generating sufficient revenues to compensate for the depreciation of these costly facilities. Over time with increased development and increased facility construction, depreciation will not be as significant a factor once an adequate economy of scale is reached. Another consideration is that the facilities in place are, at the most, ten years old and are not subject to replacement for decades. This means the depreciation schedule will not be reset for a significant period of time. This compounds the effect on Triview of accumulated depreciation considering the amount of growth that is yet to happen.

| <b>CAPITAL ASSETS</b>                      | Governmental Activities 2009 | Governmental Activities 2010 | Proprietary Actives 2009 | Proprietary Actives 2010 | Total Activities 2009 | Total Activities 2010 |
|--|------------------------------|------------------------------|--------------------------|--------------------------|-----------------------|-----------------------|
| Total operating systems                    | 13,762,820                   | 13,905,566                   | 30,843,144               | 31,012,711               | 44,605,964            | 44,918,277            |
| Accumulated depreciation                   | (3,105,249)                  | (3,540,198)                  | (5,944,671)              | (6,741,726)              | (9,049,920)           | (10,281,924)          |
| Total operating systems (Net Depreciation) | 10,657,571                   | 10,365,368                   | 24,898,473               | 24,270,985               | 35,556,044            | 34,636,353            |
| Other Assets (Not Dep.)                    |                              |                              | 0                        | 0                        | 0                     | 0                     |
| Total Capital Assets                       | 10,657,571                   | 10,365,368                   | 24,898,473               | 24,270,985               | 35,556,044            | 34,636,353            |

The long-term liabilities decreased during 2010 by \$171,566 due primarily to payments on loans. There has been minimal growth within Triview due to the down turn in the housing market. The revenue from this minimal growth has not equaled the costs of the interest required, after the consideration for refunding savings. This has especially been true in the commercial arena where more potential revenue is available than from residential development.

| <b>LONG-TERM DEBT</b> | Governmental<br>Activities 2009 | Governmental<br>Activities 2010 | Proprietary<br>Activities 2009 | Proprietary<br>Activities 2010 | Total<br>Activities 2009 | Total<br>Activities 2010 |
|-----------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------|
| Loan payable          | -                               | -                               | 6,357,027                      | 6,067,212                      | 6,357,027                | 6,067,212                |
| G.O. bonds payable    | 46,026,156                      | 46,151,216                      | -                              | -                              | 46,026,156               | 46,151,216               |
| Capital leases        | 5,504                           | 1,424                           | 3,670                          | 949                            | 9,174                    | 2,373                    |
| <b>Total Debt</b>     | <b>46,031,660</b>               | <b>46,152,640</b>               | <b>6,360,697</b>               | <b>6,068,161</b>               | <b>52,392,357</b>        | <b>52,220,801</b>        |

The following are “known conditions” that will have a significant effect upon the financial position of the District. There were approximately 350,000 square feet of commercial uses completed and operating within the District by the end of 2010.

As of December 31, 2010 there are 1,129 residential taps and 44 commercial taps being serviced by the District.

This additional commercial development generates the following revenue implications:

- > Increase in property tax base, which is assessed under Statute at 3 ½ times that of residential property.
- > Increase in retail commercial sales tax revenues; which Triview receives 50% of same under an agreement with the Town of Monument.
- > Increase in employment base that relates to residential demand for District housing.
- > Increase in use tax revenues; which are based upon building costs by type.
- > Increase in water and sewer user fees and charges.
- > Increase in impact fees generated by the additional commercial development.

The residential market held steady during the last quarter of 2010. We hope to maintain or slightly increase development during 2011.

Increases in residential units generate the following revenue implications:

- > Increase in property tax base as compared to undeveloped land; which is assessed at lesser rates.
- > Increase in use tax revenues.
- > Increase in water and sewer user fees and charges.
- > Increase in impact fees generated by the additional residential development.

## **CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Triview Metropolitan District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Pamela Smith, District Financial Director, PO Box 849 or 645 Beacon Lite Road, Monument, Colorado, 80132.

## **BASIC FINANCIAL STATEMENTS**

**TRIVIEW METROPOLITAN DISTRICT**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |
|---|------------------------------------|-------------------------------------|----------------------|
| <b>ASSETS</b>                                   |                                    |                                     |                      |
| Cash and cash equivalents                       | \$ 4,844,398                       | \$ 612,155                          | \$ 5,456,553         |
| Property tax receivable                         | 2,067,876                          | -                                   | 2,067,876            |
| Other receivables                               | 281,901                            | 10,025                              | 291,926              |
| Internal balances                               | 146,176                            | (146,176)                           | -                    |
| Deferred costs                                  | 472,052                            | 150,930                             | 622,982              |
| Cash and cash equivalents, restricted           | 2,666,606                          | 705,632                             | 3,372,238            |
| Funds held in escrow                            | -                                  | 597,463                             | 597,463              |
| Capital assets, net of depreciation             | 10,365,368                         | 24,270,985                          | 34,636,353           |
| <b>Total Assets</b>                             | <b>\$ 20,844,377</b>               | <b>\$ 26,201,014</b>                | <b>\$ 47,045,391</b> |
| <b>LIABILITIES</b>                              |                                    |                                     |                      |
| Accounts payable                                | \$ 3,249                           | \$ 72,544                           | \$ 75,793            |
| Accrued bond fees                               | -                                  | 28,856                              | 28,856               |
| Accrued interest                                | 359,458                            | 62,722                              | 422,180              |
| Escrow funds held                               | -                                  | 597,463                             | 597,463              |
| Accrued settlement                              | -                                  | 145,000                             | 145,000              |
| Management fees payable                         | -                                  | 1,058,550                           | 1,058,550            |
| Deferred property taxes                         | 2,067,876                          | -                                   | 2,067,876            |
| Long-term liabilities:                          |                                    |                                     |                      |
| Due within one year                             | 1,424                              | 271,683                             | 273,107              |
| Due in more than one year                       | 46,151,216                         | 5,796,478                           | 51,947,694           |
| <b>Total Liabilities</b>                        | <b>48,583,223</b>                  | <b>8,033,296</b>                    | <b>56,616,519</b>    |
| <b>NET ASSETS</b>                               |                                    |                                     |                      |
| Invested in capital assets, net of related debt | (33,859,304)                       | 23,318,829                          | (10,540,475)         |
| Restricted                                      | 2,627,838                          | 351,089                             | 2,978,927            |
| Unrestricted                                    | 3,492,620                          | (5,502,200)                         | (2,009,580)          |
| <b>Total Net Assets (Deficit)</b>               | <b>(27,738,846)</b>                | <b>18,167,718</b>                   | <b>(9,571,128)</b>   |
| <b>Total Liabilities and Net Assets</b>         | <b>\$ 20,844,377</b>               | <b>\$ 26,201,014</b>                | <b>\$ 47,045,391</b> |

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

| <u>Functions/Programs</u>            | <u>Expenses</u>     | <u>Program Revenue</u>      |   |   | <u>Net (Expense) Revenue and Changes in Net Assets</u> |                                 |                       |
|--------------------------------------|---------------------|-----------------------------|---|---|--|---------------------------------|-----------------------|
|                                      |                     | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u>                         | <u>Business-type Activities</u> | <u>Total</u>          |
| Governmental Activities              |                     |                             |   |   |  |                                 |                       |
| General government                   | \$ 173,587          | \$ -                        | \$ -                                      | \$ -                                    | \$ (173,587)   |                                 | \$ (173,587)          |
| Streets                              | 510,872             | 53,213                      | -   | -                                       | (457,659)  |                                 | (457,659)             |
| Lighting                             | 30,208              | -                           | -   | -                                       | (30,208)   |                                 | (30,208)              |
| Signage                              | 2,322               | -                           | -   | -                                       | (2,322)  |                                 | (2,322)               |
| Traffic control                      | 43,728              | -                           | -   | -                                       | (43,728)   |                                 | (43,728)              |
| Drainage                             | 1,101               | -                           | -   | -                                       | (1,101)  |                                 | (1,101)               |
| Parks, landscape and open space      | 199,149             | 65,164                      | -   | -                                       | (133,985)  |                                 | (133,985)             |
| Conservation                         | 17,519              | -                           | -   | 12,616                                  | (4,903)  |                                 | (4,903)               |
| Debt service:                        |                     |                             |   |   |  |                                 |                       |
| Interest                             | 2,156,735           | -                           | -   | -                                       | (2,156,735)  |                                 | (2,156,735)           |
| Other                                | 150,380             | -                           | -   | -                                       | (150,380)  |                                 | (150,380)             |
| Total governmental activities        | <u>\$ 3,285,601</u> | <u>\$ 118,377</u>           | <u>\$ -</u>                               | <u>\$ 12,616</u>                        | <u>(3,154,608)</u>                                     |                                 | <u>(3,154,608)</u>    |
| Business-type activities             |                     |                             |   |   |  |                                 |                       |
| Water, Wastewater and Reuse Fund     | <u>\$ 2,146,578</u> | <u>\$ 1,397,998</u>         | <u>\$ -</u>                               | <u>\$ 534,960</u>                       |  | <u>\$ (213,620)</u>             | <u>(213,620)</u>      |
| <b>General revenues:</b>             |                     |                             |   |   |  |                                 |                       |
| Taxes                                |                     |                             |   |   | 3,858,002  | -                               | 3,858,002             |
| Investment earnings                  |                     |                             |   |   | 30,143   | 5,485                           | 35,628                |
| Gain on extinguishment of debt       |                     |                             |   |   | -  | 518,722                         | 518,722               |
| Transfers                            |                     |                             |   |   | (109,151)  | 109,151                         | -                     |
| Total general revenues and transfers |                     |                             |   |   | <u>3,778,994</u>                                       | <u>633,358</u>                  | <u>4,412,352</u>      |
| Change in net assets                 |                     |                             |   |   | 624,386  | 419,738                         | 1,044,124             |
| Net assets - beginning               |                     |                             |   |   | (28,363,232)   | 18,183,980                      | (10,179,252)          |
| Prior period adjustment              |                     |                             |   |   | -  | (436,000)                       | (436,000)             |
| Net assets - beginning, as restated  |                     |                             |   |   | <u>(28,363,232)</u>                                    | <u>17,747,980</u>               | <u>(10,615,252)</u>   |
| Net assets - ending (deficit)        |                     |                             |   |   | <u>\$(27,738,846)</u>                                  | <u>\$ 18,167,718</u>            | <u>\$ (9,571,128)</u> |

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND - GENERAL FUND  
DECEMBER 31, 2010**

**ASSETS**

|                                      |                             |
|--------------------------------------|-----------------------------|
| Cash and cash equivalents            | 4,844,398                   |
| Property taxes receivable            | 2,067,876                   |
| Accounts receivable, other           | 281,901                     |
| Due from other funds                 | 146,176                     |
| Restricted cash and cash equivalents | <u>2,666,606</u>            |
| Total assets                         | <u><u>\$ 10,006,957</u></u> |

**LIABILITIES AND FUND BALANCES**

Liabilities:

|                       |                  |
|-----------------------|------------------|
| Accounts payable      | \$ 3,249         |
| Deferred property tax | <u>2,067,876</u> |
| Total liabilities     | <u>2,071,125</u> |

Fund balance:

|                                    |                             |
|------------------------------------|-----------------------------|
| Reserved                           | 2,627,838                   |
| Unreserved and undesignated        | <u>5,307,994</u>            |
| Total fund balance                 | <u>7,935,832</u>            |
| Total liabilities and fund balance | <u><u>\$ 10,006,957</u></u> |

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

|   |                               |
|---|-------------------------------|
| Total fund balance, governmental funds  | \$ 7,935,832                  |
| Amounts reported for governmental activities in the Statement of Net Assets are different because:  |                               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   | 10,365,368                    |
| Debt issuance costs are expensed when incurred in governmental funds and are deferred and amortized in the statement of activities. The net unamortized portion of these long-term debt related items is included with governmental activities. | 472,052                       |
| Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.   | (359,458)                     |
| Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Assets.                                      | <u>(46,152,640)</u>           |
| Net Assets of Governmental Activities in the Statement of Net Assets  | <u><u>\$ (27,738,846)</u></u> |

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUND - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**REVENUES**

|                       |                  |
|-----------------------|------------------|
| Taxes                 | \$ 3,858,002     |
| Fees                  | 118,377          |
| Interest income       | 30,143           |
| Miscellaneous revenue | <u>12,616</u>    |
| Total revenues        | <u>4,019,138</u> |

**EXPENDITURES**

|  |                  |
|--|------------------|
| General government                                   | 168,160          |
| Streets  | 277,398          |
| Lighting   | 30,208           |
| Signage  | 2,322            |
| Traffic control                                      | 15,898           |
| Drainage   | 1,101            |
| Parks, landscape & open space                        | 177,759          |
| Conservation   | 17,519           |
| Debt Service:  |                  |
| Interest and fiscal charges                          | <u>2,156,735</u> |
| Total Expenditures                                   | <u>2,847,100</u> |
| Excess (deficiency) of revenues<br>over expenditures | <u>1,172,038</u> |

**OTHER FINANCING SOURCES (USES)**

|  |                            |
|--|----------------------------|
| Transfers out                          | <u>(109,151)</u>           |
| Total other financing sources and uses | <u>(109,151)</u>           |
| Net change in fund balance             | 1,062,887                  |
| Fund balance - beginning               | <u>6,872,945</u>           |
| Fund balance - ending                  | <u><u>\$ 7,935,832</u></u> |

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balances - total governmental funds: \$ 1,062,887

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, in the Statement of Activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period. (292,202)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (146,299)

Change in net assets of governmental activities \$ 624,386

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND**  
**DECEMBER 31, 2010**

**ASSETS**

Current assets:

|                           |            |
|---------------------------|------------|
| Cash and cash equivalents | \$ 612,155 |
| Accounts receivable       | 10,025     |

|                      |         |
|----------------------|---------|
| Total current assets | 622,180 |
|----------------------|---------|

Non-current assets:

|                                      |            |
|--------------------------------------|------------|
| Restricted cash and cash equivalents | 705,632    |
| Funds held in escrow                 | 597,463    |
| Deferred costs                       | 150,930    |
| Capital assets, net of depreciation  | 24,270,985 |

|                          |            |
|--------------------------|------------|
| Total non-current assets | 25,725,010 |
|--------------------------|------------|

|                     |                      |
|---------------------|----------------------|
| <b>TOTAL ASSETS</b> | <b>\$ 26,347,190</b> |
|---------------------|----------------------|

**LIABILITIES**

Current liabilities:

|                        |           |
|------------------------|-----------|
| Accounts payable       | \$ 72,544 |
| Accrued expenses       | 28,856    |
| Accrued interest       | 62,722    |
| Due to other funds     | 146,176   |
| Notes payable          | 270,734   |
| Capital leases payable | 949       |

|                           |         |
|---------------------------|---------|
| Total current liabilities | 581,981 |
|---------------------------|---------|

Noncurrent liabilities

|                         |           |
|-------------------------|-----------|
| Escrow funds held       | 597,463   |
| Accrued settlement      | 145,000   |
| Management fees payable | 1,058,550 |
| Notes payable           | 5,796,478 |

|                              |           |
|------------------------------|-----------|
| Total noncurrent liabilities | 7,597,491 |
|------------------------------|-----------|

|                   |           |
|-------------------|-----------|
| Total liabilities | 8,179,472 |
|-------------------|-----------|

**NET ASSETS**

|   |             |
|---|-------------|
| Invested in capital assets, net of related debt | 23,318,829  |
| Restricted                                      | 351,089     |
| Unrestricted                                    | (5,502,200) |

|                  |            |
|------------------|------------|
| Total net assets | 18,167,718 |
|------------------|------------|

|   |                      |
|---|----------------------|
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 26,347,190</b> |
|---|----------------------|

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS**  
**PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**OPERATING REVENUES**

Charges for sales and services:

|               |            |
|---------------|------------|
| Water sales   | \$ 790,865 |
| Sewer charges | 607,133    |

|                          |           |
|--------------------------|-----------|
| Total operating revenues | 1,397,998 |
|--------------------------|-----------|

**OPERATING EXPENSES**

|                            |         |
|----------------------------|---------|
| Water system               | 453,338 |
| Wastewater system          | 362,073 |
| General and administrative | 281,491 |
| Depreciation               | 797,055 |

|                          |           |
|--------------------------|-----------|
| Total operating expenses | 1,893,957 |
|--------------------------|-----------|

|                         |           |
|-------------------------|-----------|
| Operating income (loss) | (495,959) |
|-------------------------|-----------|

**NON-OPERATING REVENUES (EXPENSES)**

|   |           |
|---|-----------|
| Interest income                           | 5,485     |
| Bond fees                                 | (69,255)  |
| Amortization of bond expense              | 12,177    |
| Interest expense                          | (195,543) |
| Gain on the extinguishment of liabilities | 518,722   |

|  |         |
|--|---------|
| Total non-operating revenue (expenses) | 271,586 |
|--|---------|

|  |           |
|--|-----------|
| Income (loss) before other financing sources | (224,373) |
|--|-----------|

Other financing sources:

|              |         |
|--------------|---------|
| Tap fees     | 534,960 |
| Transfers in | 109,151 |

|                               |         |
|-------------------------------|---------|
| Total other financing sources | 644,111 |
|-------------------------------|---------|

|                      |         |
|----------------------|---------|
| Change in net assets | 419,738 |
|----------------------|---------|

|                              |            |
|------------------------------|------------|
| Total net assets - beginning | 18,183,980 |
|------------------------------|------------|

|                         |           |
|-------------------------|-----------|
| Prior period adjustment | (436,000) |
|-------------------------|-----------|

|   |            |
|---|------------|
| Total net assets - beginning, as restated | 17,747,980 |
|---|------------|

|                           |               |
|---------------------------|---------------|
| Total net assets - ending | \$ 18,167,718 |
|---------------------------|---------------|

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|   |                                   |
|---|-----------------------------------|
| Cash flows from operating activities:                                       |                                   |
| Cash received from customers  | \$ 1,408,136                      |
| Cash payments to suppliers for goods and services                           | (966,329)                         |
| Cash payments to employees for services                                     | <u>(105,872)</u>                  |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                     | <u><b>335,935</b></u>             |
| Cash flows from noncapital financing activities:                            |                                   |
| Transfers in  | 109,151                           |
| Increase in due to other funds  | <u>3,676</u>                      |
| <b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>          | <u><b>112,827</b></u>             |
| Cash flows from capital and related financing activities:                   |                                   |
| Capital contributions - tap fees  | 243,960                           |
| Purchases of capital assets   | (242,211)                         |
| Principal paid on capital debt  | (265,357)                         |
| Interest paid on capital debt   | (164,789)                         |
| Bond fees paid  | (69,255)                          |
| Management fees paid  | <u>(29,477)</u>                   |
| <b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <u><b>(527,129)</b></u>           |
| Cash flows from investing activities:                                       |                                   |
| Interest received   | <u>5,485</u>                      |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>                     | <u><b>5,485</b></u>               |
| Net increase (decrease) in cash and cash equivalents                        | (72,882)                          |
| Cash and cash equivalents, January 1  | <u>1,390,669</u>                  |
| <b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>                               | <u><u><b>\$ 1,317,787</b></u></u> |

The accompanying notes are an integral part of these financial statements.

**TRIVIEW METROPOLITAN DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|  |                                   |
|--|-----------------------------------|
| Reconciliation of cash and cash equivalents<br>to the balance sheet:                       |                                   |
| Cash and cash equivalents  | \$ 612,155                        |
| Restricted cash and cash equivalents   | <u>705,632</u>                    |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b>   | <b><u><u>\$ 1,317,787</u></u></b> |
| <br>   |                                   |
| Reconciliation of operating income to net cash<br>provided (used) by operating activities: |                                   |
| Operating income (loss)  | <u>\$ (495,959)</u>               |
| Adjustments to reconcile operating income<br>to net cash provided by operating activities: |                                   |
| Depreciation   | 797,055                           |
| Changes in assets and liabilities:   |                                   |
| (Increase) decrease in accounts receivable   | 10,138                            |
| (Increase) decrease in prepaid expenses  | 17,822                            |
| Increase (decrease) in accounts payable  | <u>6,879</u>                      |
| Total Adjustments  | <u>831,894</u>                    |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                    | <b><u><u>\$ 335,935</u></u></b>   |
| <br>   |                                   |
| Non-cash investing, capital and financing activities                                       |                                   |
| Tap fee credits  | \$ 291,000                        |

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Triview Metropolitan District (the “District”) is a quasi-municipal political subdivision of the State of Colorado organized to develop and provide certain services to the residents of the District. The District was formed by order of the District Court for the County of El Paso, Colorado, entered in Civil Action No. 85 CV 0893 on May 13, 1985, following the favorable outcome of an organizational election held on May 10, 1985. The District, as a metropolitan district, derives its power from state statutes. Among the express statutory powers of the District are the powers of taxation and eminent domain, and the power to borrow money and issue both general obligation bonds and revenue bonds. The District has purchased water rights, and has constructed a water distribution system, a sanitary and storm sewer collection system, roadways, signs and other improvements.

The District’s financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standard Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise fund, the District has chosen not to do so. A summary of the significant accounting policies used in the preparation of these financial statements follows.

*A. REPORTING ENTITY*

The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official’s financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

*B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type* activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities are financed to a significant extent by fees and charges.

The statement of activities demonstrates the degree to which direct 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*C. 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 flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District considers property taxes as available if they are collected within 30 days after year-end. Property taxes are recognized as revenue in the fiscal period for which they are levied, providing the available criteria are met.

Those revenues susceptible to accrual are property taxes, sales taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)*

Additionally, the District reports the following major proprietary fund:

An *Enterprise Fund* is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has one enterprise fund—the Water, Wastewater and Reuse Fund. The intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

*D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY*

*Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Prepaid expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

*Due to and from other funds*

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payable are classified as "due from other funds" or "due to other funds". In the government-wide financial statements, all internal balances have been substantially eliminated.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)*

*Restricted Cash and Investments*

The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

*Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, traffic, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

If proprietary fund assets are constructed, interest is capitalized on the assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings, improvements, vehicles, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

|   |               |
|---|---------------|
| Roads and streets                                   | 2 to 40 years |
| Wells   | 20 years      |
| Water Storage Tank                                  | 40 years      |
| Wastewater Treatment Facility                       | 40 years      |
| Water Distribution System<br>and Treatment Facility | 40 years      |
| Equipment   | 3 to 7 years  |

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net assets.

*Accumulated employee benefit amounts*

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are not material. Therefore, a liability of these benefits has not been reflected in these financial statements.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSET, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)*

*Long-term liabilities*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issue costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

*Statement of Cash Flows*

For purposes of the Statement of Cash Flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, government pools, and short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash and cash equivalents. Funds held in escrow are excluded from the District's definition of cash and cash equivalents.

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the general fund balance sheet and the government-wide statement of net assets:

The general fund balance sheet includes a reconciliation between *fund balance—governmental fund* and *net assets—governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds”. The details of this difference are as follows:

|   |                      |
|---|----------------------|
| Capital assets  | \$ 13,905,566        |
| Accumulated depreciation  | <u>(3,540,198)</u>   |
| Net adjustment to increase <i>fund balance—governmental fund</i> to arrive at <i>net assets—governmental activities</i> | <u>\$ 10,365,368</u> |

Explanation of certain differences between the governmental fund statement of revenues, expenditures and change in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and change in fund balance includes a reconciliation of *net changes in fund balance—governmental fund* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report outlays for capital assets as expenditures. In contrast in the Statement of Activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense”. The details of this difference are as follows:

|  |                     |
|--|---------------------|
| Depreciation   | \$ (434,947)        |
| Capital outlays  | <u>142,745</u>      |
| Net adjustment to reduce <i>net change in fund balance—governmental fund</i> to arrive at <i>change in net assets of governmental activities</i> | <u>\$ (292,202)</u> |

Another element of the reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs...when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this difference are as follows:

|  |                     |
|--|---------------------|
| Amortization of issuance costs   | \$ (137,765)        |
| Amortization of discount   | (12,614)            |
| Principal repayments on capital lease  | <u>4,080</u>        |
| Net adjustment to reduce <i>net change in fund balance—governmental fund</i> to arrive at <i>change in net assets of governmental activities</i> | <u>\$ (146,299)</u> |

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION*

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

- 1) In the fall, the District Manager submits to the Board of Directors, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the District to obtain taxpayer comments.
- 3) Prior to December 15, the budget is legally approved.
- 4) Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- 5) Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds.
- 6) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7) The budget for the Water, Wastewater and Reuse Fund is prepared on a basis of accounting other than generally accepted accounting principles, which is normal for proprietary funds. The primary differences are that bond proceeds are treated as a budget source, capital expenditures and principal payments are treated as a budget use, and accrued unpaid interest and the amortization and depreciation expense are not budgeted.
- 8) Budgeted amounts are as originally adopted or amended.
- 9) All annual appropriations lapse at the end of the year.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The District's deposits and investments consist of the following at December 31, 2010:

|              | Cash and Cash<br><u>Equivalents</u> | Restricted Cash<br>and Cash<br><u>Equivalents</u> | Funds Held<br><u>In Escrow</u> | <u>Total</u>        |
|--------------|-------------------------------------|---|--------------------------------|---------------------|
| Deposits     | \$ 4,295,218                        | \$ 1,611,740                                      | \$ 597,463                     | \$ 6,504,421        |
| ColoTrust    | 1,161,335                           | 49,984  | -                              | 1,211,319           |
| Money market | <u>-</u>                            | <u>1,710,514</u>                                  | <u>-</u>                       | <u>1,710,514</u>    |
| Investments  | <u>1,161,335</u>                    | <u>1,760,498</u>                                  | <u>-</u>                       | <u>2,921,833</u>    |
| Total        | <u>\$ 5,456,553</u>                 | <u>\$ 3,372,238</u>                               | <u>\$ 597,463</u>              | <u>\$ 9,426,254</u> |

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Reconciliation of cash and cash equivalents to the government-wide financial statements at December 31, 2010:

|                           | <u>Cash and Cash<br/>Equivalents</u> | <u>Restricted Cash<br/>and Cash<br/>Equivalents</u> | <u>Funds Held<br/>In Escrow</u> |
|---------------------------|--------------------------------------|---|---------------------------------|
| <u>Primary Government</u> |                                      |   |                                 |
| Governmental activities   | \$ 4,844,398                         | \$ 2,666,606  | \$ -                            |
| Business-type activities  | <u>612,155</u>                       | <u>705,632</u>                                      | <u>597,463</u>                  |
| Total                     | <u>\$ 5,456,553</u>                  | <u>\$ 3,372,238</u>                                 | <u>\$ 597,463</u>               |

*DEPOSITS*

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 held. 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.

At December 31, 2010, the carrying amount of the District's deposits was \$6,504,421 and the bank balances were \$6,561,093. Of the total bank balance, \$1,250,000 was covered by FDIC insurance and \$5,311,093 falls under the provision of the Colorado Public Deposit Protection Act which is collateralized in single institution pools.

*INVESTMENTS*

The District is authorized by Colorado statutes to invest in the following:

- ◆ Obligations of the United States and certain U.S. government agencies' securities;
- ◆ Certain international agencies' securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers' acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

At December 31, 2010 the District's investment balances were as follows:

| <u>Investment</u> | <u>Maturities</u> | <u>Fair Value</u>   |
|-------------------|-------------------|---------------------|
| COLOTRUST         | Less than 60 days | \$ 1,211,319        |
| Money market      | Less than 60 days | <u>1,710,514</u>    |
| Total             |                   | <u>\$ 2,921,833</u> |

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The District’s investments are subject to interest rate risk and credit risk as described below:

*Interest Rate Risk:* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

*Credit Risk.* State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2010 the District investments were rated AAA by Standard & Poor’s.

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

**NOTE 5 – OTHER RECEIVABLES**

Other receivables consisted of the following at December 31, 2010:

|                                  |                   |
|----------------------------------|-------------------|
| General Fund                     |                   |
| Cash with County Treasurer       | \$ 15,106         |
| Specific ownership tax           | 7,220             |
| Sales tax                        | <u>259,575</u>    |
|                                  | <u>281,901</u>    |
| Water, Wastewater and Reuse Fund |                   |
| User fees receivable             | <u>10,025</u>     |
| Total Other Receivables          | <u>\$ 291,926</u> |

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

All interfund receivables and payables are created in conjunction with the District’s pooled investment portfolios. Balances are routinely cleared as a matter of practice. The composition of interfund balances at December 31, 2010 is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>     |
|------------------------|---------------------|-------------------|
| General Fund           | Enterprise Fund     | <u>\$ 146,176</u> |

Transfers are made between funds to allocate revenues designated for specific purposes to the correct fund. Transfers made during the year were as follows:

|  |                   |
|--|-------------------|
| Transfers from the General Fund to the Enterprise Fund | <u>\$ 109,151</u> |
|--|-------------------|

**NOTE 7 - PROPERTY TAX**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are payable in two installments due February 28 and June 15, or in one installment due April 30. El Paso County bills and collects property taxes for the District. District property tax revenues are recognized when levied to the extent that they result in current receivables. The tax rate for the year ended December 31, 2010 was 35.000 mills. The District’s assessed valuation for 2010 was \$58,501,790.

**NOTE 8 – ESCROW FUNDS HELD**

An escrow account in the District’s name has been established. As a result of agreements between the District, El Paso County, Centre Development and Pinetree Properties one million dollars was deposited with the District to construct infrastructure improvements west of Interstate 25 and to provide service to that portion of the District. The remaining balance of \$597,463 includes interest of \$148,089 at December 31, 2010.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| <b>Governmental activities:</b>                     |                              |                     |                  |                           |
| Capital assets, being depreciated:                  |                              |                     |                  |                           |
| Roads and streets                                   | \$ 12,059,705                | \$ -                | \$ -             | \$ 12,059,705             |
| Traffic control                                     | 436,399                      | -                   | -                | 436,399                   |
| Parks, landscape, and open space                    | 1,223,877                    | 9,771               | -                | 1,233,648                 |
| Equipment   | <u>42,839</u>                | <u>132,975</u>      | <u>-</u>         | <u>175,814</u>            |
| Total capital assets being depreciated              | 13,762,820                   | 142,746             | -                | 13,905,566                |
| Less accumulated depreciation                       | <u>(3,105,249)</u>           | <u>(434,949)</u>    | <u>-</u>         | <u>(3,540,198)</u>        |
| Total capital assets, net                           | <u>10,657,571</u>            | <u>(292,203)</u>    | <u>-</u>         | <u>10,365,368</u>         |
| <b>Business-type activities:</b>                    |                              |                     |                  |                           |
| Capital assets, being depreciated:                  |                              |                     |                  |                           |
| Water rights  | 109,537                      | -                   | -                | 109,537                   |
| Wells   | 1,526,427                    | 134,954             | -                | 1,661,381                 |
| Water storage tank                                  | 1,038,433                    | -                   | -                | 1,038,433                 |
| Wastewater treatment facility                       | 9,974,606                    | 34,613              | -                | 10,009,219                |
| Water distribution system and<br>treatment facility | 18,145,425                   | -                   | -                | 18,145,425                |
| Equipment   | <u>48,716</u>                | <u>-</u>            | <u>-</u>         | <u>48,716</u>             |
| Total capital assets being depreciated              | 30,843,144                   | 169,567             | -                | 31,012,711                |
| Less accumulated depreciation                       | <u>(5,944,671)</u>           | <u>(797,055)</u>    | <u>-</u>         | <u>(6,741,726)</u>        |
| Total capital assets, net                           | <u>\$ 24,898,473</u>         | <u>\$ (627,488)</u> | <u>\$ -</u>      | <u>\$ 24,270,985</u>      |

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

|   |                   |
|---|-------------------|
| Governmental activities:                            |                   |
| General government                                  | \$ 9,508          |
| Streets   | 366,449           |
| Traffic control                                     | 27,830            |
| Parks, landscape, and open space                    | <u>31,162</u>     |
| Total depreciation expense—governmental activities  | <u>\$ 434,949</u> |
| Business-type activities:                           |                   |
| General and administrative                          | \$ 2,449          |
| Water system  | 544,808           |
| Wastewater system                                   | <u>249,798</u>    |
| Total depreciation expense—business-type activities | <u>\$ 797,055</u> |

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 10 – LONG-TERM LIABILITIES**

*LOANS*

On May 1, 2006 the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority in the amount of \$4,906,910. This loan is payable semiannually in varying amounts from \$89,463 to \$165,371 including interest at 3.64% with the final payment due August 1, 2027. The proceeds of this loan were used to pay for upgrading the Upper Monument Creek Regional Wastewater Treatment Facility.

On July 30, 2008 the District entered into a loan agreement with the Colorado Water Resources and Power Development Authority in the amount of \$2,000,000. This loan is payable semiannually in varying amounts from \$11,474 to \$70,370 including interest at 3.64% with the final payment due August 1, 2028. The proceeds of this loan were used to pay for upgrading the Upper Monument Creek Regional Wastewater Treatment Facility.

These loans are to be repaid from and secured by a pledge of net revenues (revenues after deducting operation and maintenance expenses).

Annual debt service requirements to maturity for loans are as follows:

| <u>Year</u> | <u>Business-type Activities</u> |                     |
|-------------|---------------------------------|---------------------|
|             | <u>Principal</u>                | <u>Interest</u>     |
| 2011        | \$ 270,734                      | \$ 179,852          |
| 2012        | 278,931                         | 172,686             |
| 2013        | 287,230                         | 165,296             |
| 2014        | 295,634                         | 157,678             |
| 2015        | 304,148                         | 148,367             |
| 2016 - 2020 | 1,652,573                       | 614,052             |
| 2021 - 2025 | 1,916,880                       | 346,819             |
| 2026 - 2028 | <u>1,038,167</u>                | <u>54,496</u>       |
| Total       | <u>\$ 6,044,297</u>             | <u>\$ 1,839,246</u> |

*GENERAL OBLIGATION BONDS*

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Voters of the District authorized the issuance of \$50,840,800 of debt at special elections held in November 1986 and November 1987. General obligation bonds have been issued for governmental activities.

In 2009, general obligation bonds totaling \$47,955,000 were issued to currently refund general obligation bonds. The refunding was undertaken to lock in interest rates which were being remarketed weekly with the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$1,663,237. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 10 – LONG-TERM LIABILITIES (CONTINUED)**

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

|   | Governmental<br>Activities |
|---|----------------------------|
| Series 2009 General Obligation Refunding Bonds bearing interest rates ranging from 2.25% to 5.00% until maturity on November 1, 2039. | <u>\$ 47,955,000</u>       |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year</u> | Governmental Activities |                      |
|-------------|-------------------------|----------------------|
|             | <u>Principal</u>        | <u>Interest</u>      |
| 2011        | \$ -                    | \$ 2,156,750         |
| 2012        | -                       | 2,156,750            |
| 2013        | 1,015,000               | 2,156,750            |
| 2014        | 1,035,000               | 2,133,912            |
| 2014        | 1,065,000               | 2,105,450            |
| 2016 - 2020 | 5,915,000               | 9,942,413            |
| 2021 - 2025 | 7,210,000               | 8,648,337            |
| 2026 - 2030 | 8,975,000               | 6,874,912            |
| 2031 - 2035 | 11,430,000              | 4,424,938            |
| 2036 - 2039 | <u>11,310,000</u>       | <u>1,373,938</u>     |
| Total       | <u>\$ 47,955,000</u>    | <u>\$ 41,974,150</u> |

*CAPITAL LEASES*

The District entered into a lease on May 18, 2006 for a 2006 Ford F250. This lease qualifies as a capital lease. The lease requires monthly payments of \$602 including interest at 6.95% beginning May 24, 2006 through April 24, 2011. Upon full satisfaction of the lease, the ownership of the truck will transfer to the District.

The assets acquired through capital leases are as follows:

|                                | Governmental<br>Activities | Business-Type<br>Activities |
|--------------------------------|----------------------------|-----------------------------|
| <b>Asset:</b>                  |                            |                             |
| Equipment                      | \$ 18,370                  | \$ 12,247                   |
| Less: Accumulated depreciation | <u>(17,145)</u>            | <u>(11,430)</u>             |
| Total                          | <u>\$ 1,225</u>            | <u>\$ 817</u>               |

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 10 – LONG-TERM LIABILITIES (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, were as follows

| <u>Year Ending December 31</u><br>2011  | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> |
|---|--|---|
| Total minimum lease payments            | \$ 1,445                                 | \$ 963                                    |
| Less: amount representing interest      | (21)                                     | (14)                                      |
| Present value of minimum lease payments | <u>\$ 1,424</u>                          | <u>\$ 949</u>                             |

*CHANGES IN LONG-TERM LIABILITIES*

|  | <u>Beginning</u><br><u>Balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Ending</u><br><u>Balance</u> | <u>Due Within</u><br><u>One Year</u> |
|--|------------------------------------|------------------|---------------------|---------------------------------|--------------------------------------|
| <b><i>Governmental activities:</i></b>       |                                    |                  |                     |                                 |                                      |
| General obligation bonds payable             | \$ 47,955,000                      | \$ -             | \$ -                | \$ 47,955,000                   | \$ -                                 |
| Bond issuance discount                       | (378,055)                          | -                | (12,612)            | (365,443)                       | -                                    |
| Deferred loss on refunding                   | <u>(1,550,789)</u>                 | <u>-</u>         | <u>(112,448)</u>    | <u>(1,438,341)</u>              | <u>-</u>                             |
| Total bonds payable                          | 46,026,156                         | -                | (125,060)           | 46,151,216                      | -                                    |
| Capital leases                               | <u>5,504</u>                       | <u>-</u>         | <u>4,080</u>        | <u>1,424</u>                    | <u>1,424</u>                         |
| Government activity long-term liabilities    | <u>\$ 46,031,660</u>               | <u>\$ -</u>      | <u>\$ (120,980)</u> | <u>\$ 46,152,640</u>            | <u>\$ 1,424</u>                      |
| <b><i>Business-type activities:</i></b>      |                                    |                  |                     |                                 |                                      |
| Loans payable:                               |                                    |                  |                     |                                 |                                      |
| Principal                                    | \$ 6,306,933                       | \$ -             | \$ 262,636          | \$ 6,044,297                    | \$ 270,734                           |
| Issuance premium                             | <u>50,094</u>                      | <u>-</u>         | <u>27,179</u>       | <u>22,915</u>                   | <u>-</u>                             |
| Total loans payable                          | 6,357,027                          | -                | 289,815             | 6,067,212                       | 270,734                              |
| Capital leases                               | <u>3,670</u>                       | <u>-</u>         | <u>2,721</u>        | <u>949</u>                      | <u>949</u>                           |
| Business-type activity long-term liabilities | <u>\$ 6,360,697</u>                | <u>\$ -</u>      | <u>\$ 292,536</u>   | <u>\$ 6,068,161</u>             | <u>\$ 271,683</u>                    |

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 11 – NET ASSETS**

The District has net assets consisting of three components—invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2010, the District had invested in capital assets, net of related debt as follows:

|   |                        |
|---|------------------------|
| Invested in Capital Assets, Net of Related Debt:      |                        |
| Capital assets, net of depreciation                   | \$ 34,636,353          |
| Long term liabilities due within one year             | (273,107)              |
| Long term liabilities due in more than one year       | (51,947,694)           |
| Less:   |                        |
| Proceeds spent for non-capitalizable purposes         | 6,572,966              |
| Debt proceeds related to capital projects             | <u>471,007</u>         |
| Total Invested in Capital Assets, Net of Related Debt | <u>\$ (10,540,475)</u> |

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2010, the District had restricted net assets as follows:

|                             |                     |
|-----------------------------|---------------------|
| Restricted:                 |                     |
| Emergency reserve (TABOR)   | \$ 77,696           |
| Restricted for debt service | <u>2,901,231</u>    |
| Total Restricted            | <u>\$ 2,978,580</u> |

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets. The District utilizes unrestricted net assets before using restricted net assets. As of December 31, 2010, the District had a deficit unrestricted net assets balance of \$(2,009,580).

**NOTE 12 – DESIGNATED FUND EQUITY**

\$246,780 of retained earnings balance of \$18,167,718 in the Water, Wastewater and Reuse Fund is designated for future expenditures for renewable water sources.

**NOTE 13 – RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker’s compensation and employee health and accident insurance. Settlements have not exceeded coverage during the past three fiscal years.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 14 –COMMITMENTS AND CONTINGENCIES**

*Litigation*

The District is involved in pending or threatened lawsuits and claims. The District and its legal counsel estimate that the potential claims against the District not covered by insurance or accrued for, resulting from such litigation, would not materially affect the financial statements of the District.

*Tap fees*

In 2007, the District settled a condemnation proceeding with a developer by agreeing to provide the developer with a credit for sewer and water tap fees in the cumulative amount of \$436,000. As of December 31, 2010 the developer had a remaining credit for sewer and water tap fees in the amount of \$145,000.

In 2009 the District entered into an intergovernmental agreement with Donala Water and Sanitation District (Donala) to fund the completion of the Wastewater Treatment Facility. Under this agreement, fees are payable monthly from tap fees collected by Triview at \$1,500 per single family sewer tap and a proportionate percentage of commercial taps (See Note 15).

*Water purchase agreement*

On February 2, 2009 the District entered into a water purchase agreement with Centre Development for the purchase of 450 Acre-Feet of water for \$2,505,150. This agreement requires minimum annual payments of \$100,000 including interest at 4.5%. Additional annual payments are based on net revenues. Such payments continue until all obligations under the agreement are satisfied. As of December 31, 2010 this contract was in dispute, and no amounts were paid to Centre Development under this agreement in 2010. An unfavorable outcome of this dispute could be in the \$4 to \$8 million range, but any payments made as a result of this contract would be recognized at the value of the water rights purchased.

*Developer reimbursement*

In prior years a liability was recorded for developer reimbursements owed for development services provided. During the year it was determined that the reimbursement was no longer required from the District. The entire liability of \$518,722 was written off during the year as a gain on the extinguishment of liabilities.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 15 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

*Intergovernmental agreement with Forest Lakes Metropolitan District and Donala Water and Sanitation District*

The District entered into an agreement dated November 11, 1999, subsequently amended on October 25, 2001, with Forest Lakes Metropolitan District and Donala Water and Sanitation District to define ownership rights in the wastewater treatment plant. Under the amended agreement, the District and Forest Lakes transferred part ownership to Donala.

In 2009 the Districts completed an expansion of the plant to 1.75 MGD. Under the terms of the above agreements, the three Districts reallocated ownership. Ownership was also modified under a 2009 agreement between the District and Donala, with the District deeding ownership of 6.7% of the 1.75 MGD capacity to Donala. The current ownership is 37.3% owned by the District, 17.1% by Forest Lakes, and 45.6% by Donala. The plant is currently being operated by Donala and all parties are responsible for their respective share of operations and maintenance costs, based on the relative share of actual flows.

In addition, in accordance with the November 11, 1999 agreement, an ownership interest in a 24" interceptor was transferred to the Forest Lakes Metropolitan District. As a result of the transfer, the interceptor is owned 50% by the District, 25% by Forest Lakes, and 25% by Donala.

*Intergovernmental agreement with Donala Water and Sanitation District*

On January 8, 2009, the District entered into an intergovernmental agreement with Donala Water and Sanitation District (Donala) to fund the completion of the Wastewater Treatment Facility. Donala agreed to pay the District's share of the final cost exceeding currently available funding of \$14,000,000, and to convert the amount paid for the District's share to management fees, not to exceed \$1,200,000. Management fees accrue interest at 4.5% per annum, or 0.05% over the rate paid or lost by Donala. These fees are payable monthly from tap fees collected by Triview at \$1,500 per single family sewer tap and a proportionate percentage of commercial taps. As of December 31, 2010 \$1,058,550 of management fees were payable under this agreement.

In 2009 the District deeded 6.7% of the 1.75 MGD total plant treatment capacity to Donala. The District expects the 6.7% of plant ownership to be deeded back upon satisfaction of the intergovernmental agreement to fund the completion of the wastewater treatment plant.

*Intergovernmental agreement with Forest Lakes Metropolitan*

On March 28, 2002, the District entered into an intergovernmental agreement with Forest Lakes Metropolitan District for the design, construction, operation and ownership of the Monument Creek Interceptor.

*Intergovernmental agreements with the Town of Monument*

The 1987-1999 IGA with the Town of Monument is part of (appendix to) the 1987 Annexation Agreement which brought the property into the Town. This IGA sets out how the District and the Town will interact as two separate public entities. Additionally, the IGA contains various requirements for Triview Metropolitan District to follow, including the collection of certain fees and the methods for infrastructure construction as well as the maintenance of said facilities.

The District enters into an agreement annually with the Town of Monument for the operation, repairs and maintenance of the District's water system. The District also enters into an agreement annually with the Town of Monument for management of the District.

**TRIVIEW METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 16 - AMENDMENT TO COLORADO CONSTITUTION**

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 6, 2006 District residents voted to exempt the District from the revenue limits of the Amendment. This revenue change is effective from January 1, 2007 through December 31, 2017.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

**NOTE 17 – PRIOR PERIOD ADJUSTMENT**

In 2007, the District settled a condemnation proceeding with a developer by agreeing to provide the developer with a credit for sewer and water tap fees in the cumulative amount of \$436,000. In the current year the District determined that a liability should have been recorded for the tap fees that were required to be provided by the District. A prior period adjustment was recorded, resulting in a decrease of \$436,000 to beginning net assets of the Water, Wastewater and Reuse Fund.

**NOTE 18 – SUBSEQUENT EVENT**

In April 2011 the board authorized the construction of a playground structure at Agate Park in the amount of \$61,399.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TRIVIEW METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|  | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance</b>              |
|--|-------------------------|---------------------|---------------------|------------------------------|
|  | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>      | <b>with Final<br/>Budget</b> |
| <b>REVENUES</b>                                      |                         |                     |                     |                              |
| Taxes  | \$ 3,613,359            | \$ 3,613,359        | \$ 3,858,002        | \$ 244,643                   |
| Fees   | 44,500                  | 44,500              | 118,377             | 73,877                       |
| Interest income                                      | 29,000                  | 29,000              | 30,143              | 1,143                        |
| Miscellaneous revenue                                | 10,000                  | 10,000              | 12,616              | 2,616                        |
| Total revenues                                       | <u>3,696,859</u>        | <u>3,696,859</u>    | <u>4,019,138</u>    | <u>322,279</u>               |
| <b>EXPENDITURES</b>                                  |                         |                     |                     |                              |
| General government                                   | 212,114                 | 212,114             | 168,160             | 43,954                       |
| Streets  | 445,008                 | 445,008             | 277,398             | 167,610                      |
| Lighting   | 23,000                  | 23,000              | 30,208              | (7,208)                      |
| Signage  | 5,000                   | 5,000               | 2,322               | 2,678                        |
| Traffic control                                      | 51,500                  | 51,500              | 15,898              | 35,602                       |
| Drainage   | 15,000                  | 15,000              | 1,101               | 13,899                       |
| Mosquito control                                     | 1,000                   | 1,000               | -                   | 1,000                        |
| Parks, landscape & open space                        | 289,204                 | 289,204             | 177,759             | 111,445                      |
| Conservation   | 55,000                  | 55,000              | 17,519              | 37,481                       |
| Reserves   | 123,000                 | 123,000             | -                   | 123,000                      |
| Debt Service:  |                         |                     |                     |                              |
| Interest and fiscal charges                          | 2,156,750               | 2,156,750           | 2,156,735           | 15                           |
| Total Expenditures                                   | <u>3,376,576</u>        | <u>3,376,576</u>    | <u>2,847,100</u>    | <u>529,476</u>               |
| Excess (deficiency) of revenues<br>over expenditures | <u>320,283</u>          | <u>320,283</u>      | <u>1,172,038</u>    | <u>851,755</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                         |                     |                     |                              |
| Transfers out  | -                       | -                   | (109,151)           | (109,151)                    |
| Total other financing sources and uses               | <u>-</u>                | <u>-</u>            | <u>(109,151)</u>    | <u>(109,151)</u>             |
| Net change in fund balance                           | 320,283                 | 320,283             | 1,062,887           | 742,604                      |
| Fund balance - beginning                             | 7,428,307               | 7,428,307           | 6,872,945           | (555,362)                    |
| Fund balance - ending                                | <u>\$ 7,748,590</u>     | <u>\$ 7,748,590</u> | <u>\$ 7,935,832</u> | <u>\$ 187,242</u>            |

See the accompanying independent auditors' report.

## **SUPPLEMENTARY SCHEDULES**

**TRIVIEW METROPOLITAN DISTRICT**  
**PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|                                | Actual            | Budget            | Variance<br>Favorable<br>(Unfavorable) |
|--------------------------------|-------------------|-------------------|--|
| <b>REVENUE</b>                 |                   |                   |  |
| Beginning fund balance         | \$ (1,005)        | \$ 2,070,630      | \$ (2,071,635)                         |
| Water assessments              | 790,865           | 633,000           | 157,865                                |
| Sewer assessments              | 607,133           | 513,000           | 94,133                                 |
| Interest income                | 5,485             | 8,000             | (2,515)                                |
| Water and sewer tap fees       | 243,960           | 168,500           | 75,460                                 |
| Miscellaneous income           | -                 | 545,031           | (545,031)                              |
| Transfers in                   | 109,151           | 109,151           | -                                      |
| <b>TOTAL REVENUE</b>           | <b>1,755,589</b>  | <b>4,047,312</b>  | <b>(2,291,723)</b>                     |
| <b>EXPENSES</b>                |                   |                   |  |
| General & Administrative       |                   |                   |  |
| Salaries & Wages               | 105,872           | 301,908           | 196,036                                |
| Employee benefits              | 28,412            | 29,105            | 693                                    |
| Professional services          | 7,073             | 26,500            | 19,427                                 |
| Engineering                    | 3,700             | 20,000            | 16,300                                 |
| Legal                          | 68,873            | 44,375            | (24,498)                               |
| Inspections                    | -                 | 11,000            | 11,000                                 |
| Consultants                    | -                 | 1,500             | 1,500                                  |
| Accounting & Auditing          | 14,765            | 27,500            | 12,735                                 |
| Conference/Training            | -                 | 500               | 500                                    |
| Dues, Pub. & Subscriptions     | 26,604            | 26,500            | (104)                                  |
| GIS Program                    | -                 | 500               | 500                                    |
| Office                         | 3,759             | 1,500             | (2,259)                                |
| Postage                        | 6,646             | 7,500             | 854                                    |
| Publications-Legal Notice      | 12                | 125               | 113                                    |
| Repairs & Maintenance          | 280               | 200               | (80)                                   |
| Telephone service              | 3,563             | 3,000             | (563)                                  |
| Travel & Meetings              | 1,107             | 1,000             | (107)                                  |
| Insurance                      | 6,869             | 6,870             | 1                                      |
| Trustee fees/Permits           | -                 | 250               | 250                                    |
| Billing expense                | 3,851             | 6,450             | 2,599                                  |
| Office equipment               | -                 | 300               | 300                                    |
| O&M equipment and supplies     | 105               | 100               | (5)                                    |
| Leasing expense                | -                 | 8,292             | 8,292                                  |
| Total General & Administrative | <b>\$ 281,491</b> | <b>\$ 524,975</b> | <b>\$ 243,484</b>                      |

See the accompanying independent auditors' report.

**TRIVIEW METROPOLITAN DISTRICT  
 PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND  
 SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

|   | Actual             | Budget              | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------------|---------------------|--|
| <b>EXPENSES (continued)</b>                   |                    |                     |  |
| Water system                                  | \$ 453,338         | \$ 417,910          | \$ (35,428)                            |
| Wastewater system                             | 362,073            | 456,262             | 94,189                                 |
| Loan fees                                     | 69,255             | 69,256              | 1                                      |
| Interest expense                              | 195,543            | 182,732             | (12,811)                               |
| Capital expenditures                          | 169,568            | 358,827             | 189,259                                |
| Principal payments on capital debt            | 265,357            | 236,703             | (28,654)                               |
|   | <b>1,796,625</b>   | <b>2,246,665</b>    | <b>450,040</b>                         |
| <b>EXCESS OF REVENUE OVER EXPENSES</b>        | <b>(41,036)</b>    | <b>\$ 1,800,647</b> | <b>\$ (1,841,683)</b>                  |
| Add:  |                    |                     |  |
| Capital expenditures                          | 169,568            |                     |  |
| Principal payments on capital debt            | 265,357            |                     |  |
| Amortization of bond expense                  | 12,177             |                     |  |
| Gain on extinguishment of liabilities         | 518,722            |                     |  |
| Non-cash tap fees                             | 291,000            |                     |  |
| Less:   |                    |                     |  |
| Depreciation                                  | (797,055)          |                     |  |
| Beginning fund balance                        | 1,005              |                     |  |
|   | <b>\$ 419,738</b>  |                     |  |
| <b>CHANGE IN NET ASSETS</b>                   |                    |                     |  |
| Ending fund balance is calculated as follows: |                    |                     |  |
| Current assets                                | \$ 622,180         |                     |  |
| Restricted cash and cash equivalents          | 705,632            |                     |  |
| Current liabilities                           | (581,981)          |                     |  |
| Management fee payable                        | (1,058,550)        |                     |  |
| Current notes payable                         | 270,734            |                     |  |
| Current capital leases payable                | 949                |                     |  |
|   | <b>\$ (41,036)</b> |                     |  |

See the accompanying independent auditors' report.

**TRIVIEW METROPOLITAN DISTRICT  
DEBT SERVICE COVERAGE AND RESERVE REQUIREMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

|   |                              |
|---|------------------------------|
| Revenues  |                              |
| Water sales   | \$ 790,865                   |
| Sewer charges   | 607,133                      |
| Interest income   | 5,485                        |
| Tap fees  | 243,960                      |
| Transfers in  | <u>109,151</u>               |
| <br>TOTAL REVENUES  | <br><u>1,756,594</u>         |
| Operating Expenses  | 1,893,957                    |
| Less: depreciation  | <u>(797,055)</u>             |
| <br>NET OPERATING EXPENSES  | <br><u>1,096,902</u>         |
| <br>NET REVENUES (PLEDGED PROPERTY)                               | <br><u><u>\$ 659,692</u></u> |
| <br>2011 Debt service on obligations secured by Pledged Property: |                              |
| Loans (principal and interest)                                    | \$ 450,586                   |
| Loans (administration fees)                                       | <u>39,255</u>                |
| Total Debt Service  | 489,841                      |
| Net Revenues  | <u>659,692</u>               |
| <br>DEBT SERVICE COVERAGE FACTOR                                  | <br><u><u>134.67%</u></u>    |
| <br>OPERATION & MAINTENANCE RESERVE:                              |                              |
| Operating expenses (net of depreciation)                          | \$ 1,096,902                 |
| 3 month reserve   | <u>25%</u>                   |
| Three month reserve requirement                                   | 274,226                      |
| Actual Reserve  | <u>351,089</u>               |
| <br>Overage   | <br><u><u>\$ 76,863</u></u>  |

See the accompanying independent auditors' report.