

CERTIFIED RECORD
OF
PROCEEDINGS RELATING TO
CENTERRA METROPOLITAN DISTRICT NO. 1
LARIMER COUNTY, COLORADO
AND THE BUDGET HEARING
FOR FISCAL YEAR
2007

STATE OF COLORADO)
)
COUNTY OF LARIMER)ss.
)
CENTERRA)
METROPOLITAN)
DISTRICT NO. 1)

The Board of Directors of the Centerra Metropolitan District No. 1, Larimer County, Colorado, held a meeting at the office of McWhinney Enterprises, 2725 Rocky Mountain Avenue, Suite 200, Loveland, Colorado 80538 on November 16, 2006, at 12:00 noon.

The following members of the Board of Directors were present:

Ken Howell, Treasurer
Dan Herlihey, Secretary
Phil Hodgkinson, Asst. Vice Pres. / Asst. Sec.
Rocky Scott, President

Also in attendance was: Alan Pogue, Pogue, Corbetta & O'Leary; Rich Shannon, District Manager; Peggy Dowswell, District Administrator; Bret Boulter, McWhinney Enterprises; Sylvester Mabry, McWhinney Enterprise; Ginger Dodge, McWhinney Enterprises; Stan Myers, Northern Engineering; Brandi Curtis, City of Loveland; Dwayne Walker, Empire Construction Management; and Carla Hawkins, Pinnacle Consulting Group, Inc.

Director Scott stated that proper publication was made to allow the Board to conduct a public hearing on the District's 2007 budget. Director Scott opened the public hearing on the District's proposed 2007 budget. There being no public comment on the District's budget, the public hearing was closed.

Thereupon, Director Herlihey introduced and moved the adoption of the following Resolution:

RESOLUTION

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES, ADOPTING A BUDGET, SETTING FORTH MILL LEVIES, AND APPROPRIATING SUMS OF MONEY TO THE GENERAL FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE CENTERRA METROPOLITAN DISTRICT NO. 1, LARIMER COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2007, AND ENDING ON THE LAST DAY OF DECEMBER 2007,

WHEREAS, the Board of Directors of the Centerra Metropolitan District No. 1 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published on November 10, 2006, in The Reporter-Herald, a newspaper having general circulation within the boundaries of the District, pursuant to statute, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on November 16, 2006, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CENTERRA METROPOLITAN DISTRICT NO. 1 OF LARIMER COUNTY, COLORADO:

Section 1. 2007 Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 2. 2007 Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Adoption of Budget for 2007. That the budget as submitted and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Centerra Metropolitan District No. 1 for calendar year 2007.

Section 4. 2007 Levy of General Property Taxes. That the foregoing budget indicated that the amount of money necessary to balance the budget for the General Fund from property taxes for operating expenses is \$0. That the 2006 valuation for assessment, as certified by the Larimer County Assessor, is \$150.

A. Levy for General Fund. That for the purposes of meeting all general operating expense of the District during the 2007 budget year, there is hereby levied a tax of **0.00** mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2007.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification to County Commissioners. The District's manager is hereby authorized and directed to immediately certify to the County Commissioners of Larimer County, Colorado, **the zero mill** levy for the District hereinabove determined and set. That said certification shall be in substantially the following form:

[Remainder of Page Left Blank Intentionally.]

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of Larimer County, Colorado.

On behalf of the Centerra Metropolitan District No. 1,

(taxing entity)^A

the Board of Directors

(governing body)^B

of the Centerra Metropolitan District No. 1

(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 150 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 150 (NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

Submitted: 12/14/2006 for budget/fiscal year 2007.
(not later than Dec. 15) (dd/mm/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY ²	REVENUE ²
1. General Operating Expenses ^H	0.000 mills	\$ 0.00
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	< > mills	\$ < >
SUBTOTAL FOR GENERAL OPERATING:	0.000 mills	\$ 0.00
3. General Obligation Bonds and Interest ^J	_____ mills	\$ _____
4. Contractual Obligations ^K	_____ mills	\$ _____
5. Capital Expenditures ^L	_____ mills	\$ _____
6. Refunds/Abatements ^M	_____ mills	\$ _____
7. Other ^N (specify): _____	_____ mills	\$ _____
	_____ mills	\$ _____
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	0.000 mills	\$ 0.00

Contact person: (print) Peggy Dowswell, CPA Daytime phone: (970) 669-3611
 Signed: *Peggy Dowswell* Title: District Administrator

Send one completed copy of this form to the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, Colorado 80203 when the local government's adopted budget is submitted to DLG. Questions? Call DLG at (303) 866-2156.

¹ If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's final certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

THIS APPLIES ONLY TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. Total of all levies should be recorded on Page 1, Line 3.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS:

1. Purpose of Issue: _____
 Series: _____
 Date of Issue: _____
 Coupon Rate: _____
 Maturity Date: _____
 Levy: _____
 Revenue: _____

2. Purpose of Issue: _____
 Series: _____
 Date of Issue: _____
 Coupon Rate: _____
 Maturity Date: _____
 Levy: _____
 Revenue: _____

CONTRACTS:

3. Purpose of Contract: _____
 Title: _____
 Date: _____
 Principal Amount: _____
 Maturity Date: _____
 Levy: _____
 Revenue: _____

4. Purpose of Contract: _____
 Title: _____
 Date: _____
 Principal Amount: _____
 Maturity Date: _____
 Levy: _____
 Revenue: _____


Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

Section 8. Budget Certification. That the budget shall be certified by Director Herlihey, Secretary of the District, and made a part of the public records of Centerra Metropolitan District No. 1.

The foregoing Resolution was seconded by Director Howell.

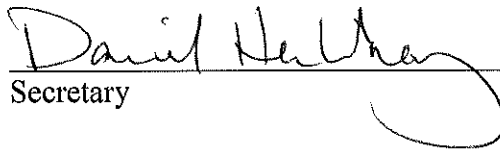
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ADOPTED AND APPROVED this 16th day of November 2006.



President

ATTEST:



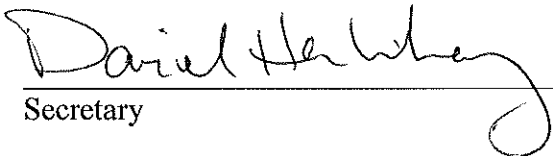
Secretary

STATE OF COLORADO)
)
COUNTY OF LARIMER)ss.
)
CENTERRA)
METROPOLITAN)
DISTRICT NO. 1)

I, Dan Herlihey, Secretary to the Board of Directors of the Centerra Metropolitan District No. 1, Larimer County, Colorado, do hereby certify that the foregoing pages numbered 1 to 8, inclusive, constitute a true and correct copy of the record of proceedings of the Board of Directors of said District, adopted at a meeting of the Board held at the office of McWhinney Enterprises, 2725 Rocky Mountain Avenue, Suite 200, Loveland, Colorado 80538 on November 16, 2006, at 12:00 noon, as recorded in the official record of the proceedings of the District, insofar as said proceedings relate to the budget hearing for fiscal year 2007; that said proceedings were duly had and taken; that the meeting was duly held; and that the persons were present at the meeting as therein shown. Further, I hereby certify that the attached budget is a true and accurate copy of the 2007 budget of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the official seal of the District this 16th day of November, 2006.

(S E A L)


Secretary



Accountant's Report

Board of Directors
Centerra Metropolitan District No. 1
Larimer County, Colorado

We have compiled the accompanying forecasted budget of revenue, expenditures, and fund balance of the Centerra Metropolitan District No. 1 for the General Fund, Debt Service Fund and Capital Projects Fund for the year ending December 31, 2007, including the forecasted estimate of comparative information for the year ending December 31, 2006, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying budget of revenue, expenditures, and fund balance or assumptions. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events or circumstances occurring after the date of this report.

The actual historical information for the year 2005 is presented for comparative purposes only. Such information is taken from the audit report of the District for the year ended December 31, 2005 as prepared by Reynolds Henrie & Associates, P.C., dated April 5, 2006, in which an unqualified opinion was expressed.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about the District's results of operations for the forecasted periods. Accordingly, this forecast is not designed for those who are not informed about such matters.

We are not independent with respect to the Centerra Metropolitan District No. 1.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 1, 2006

CENTERRA METROPOLITAN DISTRICT NO. 1
SUMMARY
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUAL AND 2006 ESTIMATED
For the Years Ended and Ending December 31,

12/1/06

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	ACTUAL 2005	ESTIMATED 2006	ADOPTED 2007
BEGINNING FUND BALANCES	\$ 43,064,662	\$ 17,981,795	\$ 9,335,666
REVENUE			
Property taxes	-	-	-
Specific ownership tax	-	-	-
Service Fees, District no. 2	13,820	34,059	122,344
Service Fees, District no. 3	-	-	-
Investment income	934,893	652,500	365,850
Developer advance	2,200,409	4,935,000	5,255,500
Bond Proceeds	-	-	42,000,000
URA Revenues	-	574,326	3,138,846
PIF Revenues	252,515	1,407,563	2,728,707
Miscellaneous income	7,725	1,200	-
Total revenue	3,409,362	7,604,648	53,611,247
TRANSFERS IN	123,660	190,000	6,225,850
Total funds available	46,597,684	25,776,443	69,172,763
EXPENDITURES			
General			
Accounting	86,621	55,000	55,260
Audit	15,499	10,000	15,000
Bond issue costs	7,243	-	1,500,000
Director fees	-	-	-
District Administration, Fin Consulting	53,138	120,000	194,270
District management	314,434	300,000	580,000
Election costs	-	-	-
Engineering expense - general	-	6,500	10,000
Insurance	7,296	9,825	14,300
Landscape maintenance & repairs	1,460	25,000	74,815
Legal	120,598	111,000	139,000
Engineering, Capital	20,378	8,200	20,000
Repayment of Developer advance	-	122,287	-
Interest on developer advance	95,575	9,636	-
Utilities	7,234	50,000	55,000
Office, dues & Other	8,439	7,000	12,856
Contingency	2	30,000	615,550
Debt Service			
City of Loveland collection fees	100,170	154,850	73,844
Remarketing and rating fees	61,898	62,000	62,000
Paying agent fees	5,920	10,000	20,000
Bond principal	-	-	-
Bond interest	1,660,118	1,682,600	2,623,750
Letter of credit fees	1,527,856	1,521,539	1,559,252
Capital outlay	24,398,350	11,955,340	45,899,500
Total expenditures	28,492,229	16,250,777	53,524,397
TRANSFERS OUT	123,660	190,000	6,225,850
Total expenditures and transfers out requiring appropriation	28,615,889	16,440,777	59,750,247
ENDING FUND BALANCES	\$ 17,981,795	\$ 9,335,666	\$ 9,422,516

This financial information should be read only in connection with the accompanying accountant's report and summary of significant assumptions.

CENTERRA METROPOLITAN DISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

12/1/06

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ACTUAL 2005	ESTIMATED 2006	ADOPTED 2007
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ASSESSED VALUATION - LARIMER COUNTY

Residential	\$ -	\$ -	\$ -
Commercial	-	-	-
State assessed	-	-	-
Vacant land	20	150	150
Personal property	-	-	-
	<u>20</u>	<u>150</u>	<u>150</u>
Adjustments	-	-	-
Certified Assessed Value	<u>\$ 20</u>	<u>\$ 150</u>	<u>\$ 150</u>

MILL LEVY

General	0.000	0.000	0.000
Debt Service	0.000	0.000	0.000
Temporary Mill Levy Reduction (pursuant to C.R.S.39-5-121)	0.000	0.000	0.000
Refund and abatements	0.000	0.000	0.000
Total mill levy	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>

PROPERTY TAXES

General	\$ -	\$ -	\$ -
Debt Service	-	-	-
Temporary Mill Levy Reduction	-	-	-
Refund and abatements	-	-	-
Levied property taxes	<u>-</u>	<u>-</u>	<u>-</u>
Adjustments to actual/rounding	-	-	-
Refunds and abatements	-	-	-
Budgeted property taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BUDGETED PROPERTY TAXES

General	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's report and summary of significant assumptions.

CENTERRA METROPOLITAN DISTRICT NO. 1
GENERAL FUND
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUAL AND 2006 ESTIMATED
For the Years Ended and Ending December 31,

12/1/06

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	ACTUAL 2005	ESTIMATED 2006	ADOPTED 2007
BEGINNING FUND BALANCE	\$ 9,467	\$ 152,734	\$ 42,171
REVENUE			
Property taxes	-	-	-
Specific ownership tax	-	-	-
Service Fees, District no. 2	13,820	34,059	122,344
Service Fees, District no. 3	-	-	-
Investment income	26	7,500	10,000
Developer advance	84,643	-	-
URA Revenues (O&M)	-	242,563	200,000
PIF Revenues (O&M)	252,515	142,563	398,707
PIF Revenues (Capital)	-	-	-
Total revenue	351,004	426,685	731,051
TRANSFERS IN			
Capital Projects Fund	-	-	-
Debt Service Fund	-	-	-
Total transfers in	-	-	-
Total funds available	360,471	579,419	773,222
EXPENDITURES			
Accounting	40,898	55,000	55,260
Audit	15,499	10,000	15,000
Director fees	-	-	-
Election costs	-	-	-
Engineering expense - general	-	6,500	10,000
Insurance	7,296	9,825	14,300
Landscape maintenance & repairs	1,460	25,000	74,815
Legal	73,773	92,000	124,000
District Administration, Fin Consulting	53,138	120,000	194,270
District management	-	-	100,000
Repayment of developer advance	-	122,287	-
Interest on developer advance	-	9,636	-
Utilities	7,234	50,000	55,000
Office, dues & Other	8,439	7,000	12,856
Contingency	-	30,000	65,550
Total expenditures	207,737	537,248	721,051
TRANSFERS OUT			
Capital Projects Fund	-	-	-
Debt Service Fund	-	-	-
Total transfers out	-	-	-
Total expenditures and transfers out requiring appropriation	207,737	537,248	721,051
ENDING FUND BALANCE	\$ 152,734	\$ 42,171	\$ 52,171
EMERGENCY RESERVE	\$ 8,000	\$ 12,800	\$ 21,900

This financial information should be read only in connection with the accompanying accountant's report and summary of significant assumptions.

CENTERRA METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUAL AND 2006 ESTIMATED
For the Years Ended and Ending December 31,

12/1/06

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	ACTUAL 2005	ESTIMATED 2006	ADOPTED 2007
BEGINNING FUND BALANCE	\$ 10,316,210	\$ 7,115,319	\$ 4,091,093
REVENUE			
Property taxes	-	-	-
Investment income	255,975	245,000	205,850
URA Revenues (Debt Service)	-	331,763	2,938,846
PIF Revenues	-	-	830,000
Total revenue	255,975	576,763	3,974,696
TRANSFERS IN			
Capital Projects Fund	11,379	10,000	6,020,000
General Fund	-	-	-
Total transfers in	11,379	10,000	6,020,000
Total funds available	10,583,564	7,702,082	14,085,789
EXPENDITURES			
County Treasurer's fees	-	-	-
City of Loveland collection fees	100,170	154,850	73,844
Remarketing and rating fees	61,898	62,000	62,000
Paying agent fees	5,920	10,000	20,000
Bond principal	-	-	-
Bond interest	1,660,118	1,682,600	1,803,750
Letter of credit fees, incl fronting fee	1,527,856	1,521,539	1,559,252
Bond Interest & LOC fees - 2007 issue	-	-	820,000
Contingency	2	-	250,000
Total expenditures	3,355,964	3,430,989	4,588,846
TRANSFERS OUT			
Capital Projects Fund	112,281	180,000	205,850
General Fund	-	-	-
Total transfers out	112,281	180,000	205,850
Total expenditures and transfers out requiring appropriation	3,468,245	3,610,989	4,794,696
ENDING FUND BALANCE	\$ 7,115,319	\$ 4,091,093	\$ 9,291,093
DEBT SERVICE RESERVE	\$ 4,117,300	\$ 4,117,300	\$ 4,117,300

This financial information should be read only in connection with the accompanying accountant's report and summary of significant assumptions.

CENTERRA METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUAL AND 2006 ESTIMATED
For the Years Ended and Ending December 31,

12/1/06
Page 6

	ACTUAL 2005	ESTIMATED 2006	ADOPTED 2007
BEGINNING FUND BALANCE	\$32,738,985	\$ 10,713,742	\$ 5,202,402
REVENUE			
Investment income	678,892	400,000	150,000
PIF Revenues	-	1,265,000	1,500,000
Developer advance	2,115,766	4,935,000	5,255,500
Bond Issuance	-	-	42,000,000
Miscellaneous income	7,725	1,200	-
Total revenue	<u>2,802,383</u>	<u>6,601,200</u>	<u>48,905,500</u>
TRANSFERS IN			
Debt Service Fund	112,281	180,000	205,850
General Fund	-	-	-
Total transfers in	<u>112,281</u>	<u>180,000</u>	<u>205,850</u>
Total funds available	<u>35,653,649</u>	<u>17,494,942</u>	<u>54,313,752</u>
EXPENDITURES			
Accounting	45,723	-	-
Legal	46,825	19,000	15,000
District management	314,434	300,000	480,000
Bond issue costs	7,243	-	1,500,000
Engineering Costs	20,378	8,200	20,000
2004 Bond Projects			
Transportation	674,041	300,000	200,000
Park and recreation	7,348,222	2,405,340	1,000,000
Sanitary sewer and storm drainage	1,806,352	1,000,000	350,000
Water	157,458	50,000	100,000
Streets	11,042,943	2,000,000	3,494,000
Repayment of developer advance	3,369,334	-	-
Interest on developer advance	95,575	-	-
Developer Advanced Projects		4,935,000	
Myers 3rd infrastructure, signs, landscape	-	-	1,000,000
Kendall Parkway, west of Rocky Mtn	-	-	480,000
Kendall Pkwy underpass	-	-	400,000
Twin Peaks Design	-	-	300,000
Parcel 102 Detention & landscape	-	-	500,000
Water purchases	-	-	200,000
Waterline payment to City	-	-	175,500
High Plains/Boyd Lake related projects	-	-	700,000
Offsite right-of-way	-	-	1,500,000
PIF Funded Projects		999,870	
I'25 & Crossroads Interchange improvements	-	-	1,000,000
Offsite right-of-way	-	-	500,000
Repayment of developer advance	-	260,169	-
Interest on developer advance	-	4,961	-
2007 Bond Projects			
Centerra Lifestyle center, on-site public imp.	-	-	24,000,000
Major Infrastructure projects	-	-	10,000,000
Contingency	-	-	300,000
Total expenditures	<u>24,928,528</u>	<u>12,282,540</u>	<u>48,214,500</u>
TRANSFERS OUT			
Debt Service Fund	11,379	10,000	6,020,000
General Fund	-	-	-
Total transfers out	<u>11,379</u>	<u>10,000</u>	<u>6,020,000</u>
Total expenditures and transfers out requiring appropriation	<u>24,939,907</u>	<u>12,292,540</u>	<u>54,234,500</u>
ENDING FUND BALANCE	<u>\$10,713,742</u>	<u>\$ 5,202,402</u>	<u>\$ 79,252</u>

This financial information should be read only in connection with the accompanying accountant's report and summary of significant assumptions.

**CENTERRA METROPOLITAN DISTRICT NO. 1
2007 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District, was organized to provide construction, installation, financing and operation of public improvements, including streets, traffic safety controls, landscaping, water, sanitary sewer, storm drainage, television relay, transportation, and park and recreation facilities, primarily for single family residential development within the District. The District was organized in conjunction with three other related districts, Centerra Metropolitan District No. 2 (commercial) Centerra Metropolitan District No. 3 (residential), and Centerra Metropolitan District No. 4 (public improvement). The District's service area is located entirely within the City of Loveland, Larimer County, Colorado.

The District was formed with its election held on May 4, 2004, with the Court Order from the State of Colorado issued May 20, 2004. The election approved general obligation indebtedness of \$350,000,000 for streets, \$350,000,000 for traffic and safety, \$350,000,000 for water, \$350,000,000 for sanitary sewer, \$350,000,000 for parks and recreation, \$350,000,000 for public transportation, \$350,000,000 for television relay and translation facilities, \$350,000,000 for mosquito control, \$350,000,000 for fire protection, \$50,000,000 for operations and maintenance contracts, \$700,000,000 for bond refunding, \$500,000,000 for intergovernmental agreements between districts, \$500,000,000 for contract debt, \$400,000,000 for reimbursement agreement with a private entity, and \$50,000,000 for construction management. The election also approved an annual increase in taxes of \$7,250,000 for operations.

The District has entered into a master financing and cooperating agreement with the City of Loveland, the Loveland Urban Renewal Authority (LURA), and the Centerra Public Improvement Corporation (PIC) that outlines the imposition, collection, and distribution of revenues including property tax revenue, specific ownership tax, public improvement fees, and retail sales fees.

The District prepares its budget on the modified accrual basis of accounting.

Revenue

Developer Advances

The Developer is anticipated to advance expenditures necessary for the District's administration and for capital projects.

Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 4%.

**CENTERRA METROPOLITAN DISTRICT NO. 1
2007 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

(Continued)

Revenue (continued)

PIF Revenue

The PIC imposes a public improvement fee (PIF) on all retail sales within the Commercial District. The PIFs are collected by the PIC and distributed to the District as outlined in the master financing agreement and the cooperation agreement. The PIF is assessed and collected at a rate of 1.25%.

Intergovernmental Agreement

Centerra Metropolitan District No. 1 has entered into an intergovernmental agreement with Centerra Metropolitan Districts No. 2 – 4 under which those Districts are to transfer their net property taxes and specific ownership taxes to Centerra Metropolitan District No. 1 for services that are provided to the other Districts.

Bond Proceeds

The District anticipates issuing bonds during 2007. This budget assumes that bonds in the amount of \$42 million will be issued on September 3, 2007 at an approximate interest rate of 4%, and approximate letter of credit fees of 2%.

Expenditures

Administrative Expenditures

Administrative expenditures have been provided based on estimates of the District's Board of Directors and consultants and include the services necessary to maintain the District's administrative viability such as legal, accounting, managerial, insurance, meeting expense, and other administrative expenses.

Debt Service

The debt service expenditures for interest payments are related to the October 15, 2004 \$57,000,000 Variable Rate Revenue Bonds. Interest payments totaling \$1,803,750 and letter of credit fees totaling \$1,559,252 are anticipated in 2007.

Capital Outlay

Anticipated Capital Project Fund expenditures are represented on page 6 of the Budget.

**CENTERRA METROPOLITAN DISTRICT NO. 1
2007 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

(Continued)

Debt and Leases

Variable Rate Revenue Bonds, Series 2004, were issued on October 15, 2004, in the original amount of \$57,000,000. The bonds are term bonds due on December 1, 2029 with mandatory redemption principal payments starting at \$1,290,000 on December 1, 2008 and increasing annually thereafter.

The bonds are subject to redemption prior to maturity at the option of the District at certain dates depending upon the interest rate mode. The bonds are currently marketed in the weekly mode.

Interest is payable on the first business day of each calendar month. The District may effect a change in mode to a daily, monthly, semi-annual, annual, or flexes pricing mode by giving proper notice in accordance with the provisions in the Indenture.

Concurrently with the issuance of the bonds, the District established an irrevocable direct pay Letter of Credit with BNP Paribas (BNP) in the amount of \$57,637,151. The Letter of Credit expires October 25, 2009 unless extended and subject to certain acts of default as defined in the Indenture and the Reimbursement Agreement. Letter of Credit facility fees are paid quarterly at an annual rate of up to 4.0% per annum on the daily average undrawn Stated Amount of the Letter of Credit. The Facility Fee Rate is currently 2.50% per annum and thereafter the Facility Fee Rate will be determined by the debt service coverage ratio for the immediately preceding fiscal year as follows:

Coverage Ratio	Facility Fee Rate
<1.50%	1.50%
1.51% - 1.75%	1.25%
>1.75%	1.00%
Default	4.00%

Flow of Funds

Pursuant to the Indenture, the Trustee has established a Revenue Bond Fund. Pursuant to the Custodial Agreement, the District is to deposit the following pledged revenues into the Revenue Bond Fund: i) Tax Increment Financing (TIF) Revenues; and ii) property tax revenues levied by Centerra Metropolitan Districts No. 2, 3 and 4 (defined as District Tax Revenue). Also, the Custodial Agreement requires that the following Bank Collateral Revenues are to be deposited in the following subaccounts of the Revenue Bond Fund: i) into the PIF Revenue Account all Public Improvement Fee Revenues (PIF); ii) into the S/O Tax Revenue Account, all specific ownership tax revenues; and iii) into the RSF Revenue Account, all Centerra Retail Sales Fee (RSF) Revenues. The revenues deposited into the Revenue Bond Fund and the Collateral Revenue Fund are to be used as set forth below.

**CENTERRA METROPOLITAN DISTRICT NO. 1
2007 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

(Continued)

Debt and Leases (continued)

Revenue Bond Fund

Amounts deposited into the Revenue Bond Fund are to be applied to the following purposes in the following order of disbursement priority, provided that such transfers are to be made first from the TIF Revenue Account, second, from the District Tax Revenue Account, and third, from the PIF Bond Account.

- i) Payment of Letter of Credit Fees due to the Letter of Credit Bank
- ii) Payment for operations of the District, not to exceed 25% of the District's annual operating budget in any one month and not to exceed \$600,000 for fiscal years 2005 and 2006, or \$900,000 for 2007, or \$1,200,000 for 2008 and for each fiscal year thereafter.
- iii) Payments on debt service on the 2004 Bonds.
- iv) Payments to replenish the Debt Service Reserve Funds to the extent that the Debt Service Fund Requirement is not being met. The Debt Service Reserve Fund Requirement is \$4,117,300.
- v) Payments on the swap agreements with BNP and RBC Dain Rauscher, Inc.
- vi) Payment to the Loveland Urban Renewal Authority (LURA) as the Regional Allocation pursuant to the terms of the Master Financing Agreement.

Collateral Revenue Fund

Amounts deposited into the Revenue Bond Fund are to be applied to the following purposes in the following order of disbursement priority, provided that such transfers are to be made first from PIF Revenue Account, second from the S/O Tax Revenue Account, and third from the RSF Revenue Account:

- i) From the amount on deposit in the PIF Revenue Account and the RSF Revenue Account to the City for any unpaid fees or expenses due under the terms on the Collection Agreement.
- ii) From amounts on deposit in the PIF Revenue Account to the PIF Bond Account of the Revenue Bond Fund, Pledged PIF Revenues.
- iii) To the Letter of Credit Bank from any Collateral Revenue Fund for amounts remaining due under the Reimbursement Agreement.
- iv) On and before December 31, 2012, to the Supplemental Bank Reserve Fund to the extent that the amount on deposit is less than the Supplemental Bank Reserve Requirement of \$3,000,000. The RSF Corporation has a letter of credit for \$3,000,000 to satisfy this obligation.
- v) Solely from the amounts on deposit in the PIF Revenue Account to the LURA or otherwise as directed by the District.
- vi) Amounts on deposit in the Collateral Revenue Fund which have not otherwise been transferred as described above shall be released from the Collateral Revenue Fund and PIF revenue shall be disbursed to the PIF Revenue Account, specific

**CENTERRA METROPOLITAN DISTRICT NO. 1
2007 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

(Continued)

Debt and Leases (continued)

ownership taxes shall be disbursed to the District for any lawful purpose, and RSF Revenue shall be disbursed to the RSF Corporation.

Moneys held in the Collateral Revenue Fund are recorded as a payable at year end since these amounts are due to the PIC Corporation and RSF Corporation under the flow of funds outlined above.

The District entered into two separate swap agreements during 2004 for the purpose of creating a synthetic fixed interest rate on their 2004 Bonds of 2.89% for 2007.

The District has no operating or capital leases.

Reserves

Debt Service Reserve

The Debt Service Reserve Fund Requirement is \$4,117,300.

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for 2007, as defined under TABOR.

This information is an integral part of the accompanying forecasted budget.

CENTERRA METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2004

\$57,000,000 Variable Rate Revenue Bonds
Series 2004
Dated October 15, 2004
Principal due December 1
Variable Interest Rate (Weekly Mode)
Paid 1st Business Day of Subsequent Month

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest **</u>	<u>Annual Debt</u> <u>Service</u>
2006	-	1,647,300	1,647,300
2007	-	1,647,300	1,647,300
2008	1,290,000	2,422,506	3,712,506
2009	1,595,000	2,367,681	3,962,681
2010	1,655,000	2,299,893	3,954,893
2011	1,735,000	2,229,555	3,964,555
2012	1,915,000	2,155,817	4,070,817
2013	2,015,000	2,074,429	4,089,429
2014	2,105,000	1,988,791	4,093,791
2015	2,200,000	1,899,328	4,099,328
2016	2,300,000	1,805,828	4,105,828
2017	2,400,000	1,708,078	4,108,078
2018	2,510,000	1,606,078	4,116,078
2019	2,625,000	1,499,403	4,124,403
2020	2,745,000	1,387,840	4,132,840
2021	2,865,000	1,271,177	4,136,177
2022	2,995,000	1,149,414	4,144,414
2023	3,130,000	1,022,126	4,152,126
2024	3,275,000	889,101	4,164,101
2025	3,420,000	749,913	4,169,913
2026	3,575,000	604,563	4,179,563
2027	3,740,000	452,625	4,192,625
2028	3,910,000	293,675	4,203,675
2029	3,000,000	127,500	3,127,500
	<u>\$ 57,000,000</u>	<u>\$ 35,299,921</u>	<u>\$ 92,299,921</u>

** Estimated average weekly rate for 2006 through 2007

2.89%

** Estimated average weekly rate for 2008 through 2029

4.25%