

CERTIFIED RECORD
OF
PROCEEDINGS RELATING TO
CENTERRA METROPOLITAN DISTRICT NO. 2
LARIMER COUNTY, COLORADO
AND THE BUDGET HEARING
FOR FISCAL YEAR
2007

STATE OF COLORADO)
)
COUNTY OF LARIMER)ss.
)
CENTERRA)
METROPOLITAN)
DISTRICT NO. 2)

The Board of Directors of the Centerra Metropolitan District No. 2, 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. 2, 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. 2 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. 2 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, is hereby approved and adopted as the budget of the Centerra Metropolitan District No. 2 for calendar year 2007.

Section 4. 2007 Levy of 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 and for contractual obligations approved at election is \$13,963.60. That the net 2006 valuation for assessment, as certified by the Larimer County Assessor, is **\$398,890.**

A. Levy for General Operating. 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.

B. Levy for Contractual Obligations. That for the purposes of meeting all general contractual obligations approved at election of the District during the 2007 budget year, there is hereby levied a tax of **35.00** 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 **35.00** 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. 2,
(taxing entity)^A

the Board of Directors
(governing body)^B

of the Centerra Metropolitan District No. 2
(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 38,977,550 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: \$ 398,960 (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	_____ mills	\$ _____
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	< _____ > mills	\$ < _____ >
SUBTOTAL FOR GENERAL OPERATING:	_____ mills	\$ _____
3. General Obligation Bonds and Interest ^J	_____ mills	\$ _____
4. Contractual Obligations ^K	35.000 mills	\$ 13,963.60
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]	35.000 mills	\$ 13,963.60

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

Centerra Metropolitan District No. 2

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are Special Districts or Subdistricts of 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. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS^J:

- 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^K:

- 3. Purpose of Contract: Repay Centerra Metropolitan District No. 1's Series 2004 Revenue Bond issue to fund District No. 2's infrastructure improvements
Title: _____
Date: 10/1/2004
Principal Amount: \$57,000,000
Maturity Date: 12/1/2029
Levy: 35.000
Revenue: \$13,963.60

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

Use multiple copies of this page as necessary to report all bond and contractual obligations.

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. 2.

The foregoing Resolution was seconded by Director Howell.

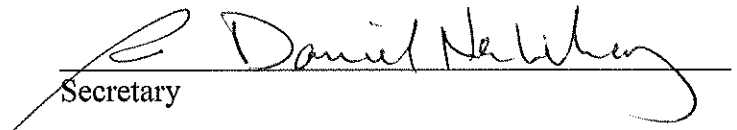
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STATE OF COLORADO)
)
COUNTY OF LARIMER)ss.
)
CENTERRA)
METROPOLITAN)
DISTRICT NO. 2)

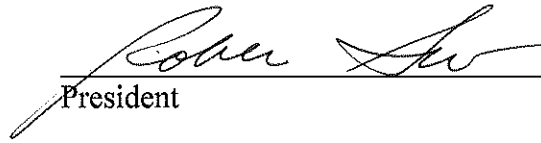
I, Dan Herlihey, Secretary to the Board of Directors of the Centerra Metropolitan District No. 2, Larimer County, Colorado, do hereby certify that the foregoing pages numbered 1 to 8, inclusive, constitute a true and correct copy of the record of proceedings of the Board of Directors of said District, 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)

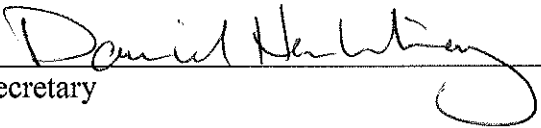

Secretary

ADOPTED AND APPROVED this 16th day of November 2006.



President

ATTEST:



Secretary



Accountant's Report

Board of Directors
Centerra Metropolitan District No. 2
Larimer County, Colorado

We have compiled the accompanying forecasted budget of revenue, expenditures, and fund balance of the Centerra Metropolitan District No. 2 for the General 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 represented for comparative purposes only. Such information is taken from the application for exemption from audit of the District for the year ended December 31, 2005.

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. 2.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 1, 2006

CENTERRA METROPOLITAN DISTRICT NO. 2
GENERAL FUND
FORECASTED 2007 BUDGET AS ADOPTED
WITH 2005 ACTUAL AND 2006 ESTIMATED
For the Years Ended and Ending December 31,

12/1/06

Page 2

	ACTUAL 2005	ESTIMATED 2006	ADOPTED 2007
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUE			
Property taxes	12,731	13,435	13,900
Specific ownership tax	1,344	25,500	109,044
Investment income & Other	-	2,000	40,000
Developer advance	-	-	-
Bond proceeds	-	-	-
Total revenue	14,075	40,935	162,944
TRANSFERS IN			
Capital Projects Fund	-	-	-
Debt Service Fund	-	-	-
Total transfers in	-	-	-
Total funds available	14,075	40,935	162,944
EXPENDITURES			
Accounting & District Administration	-	-	-
Bond issue costs	-	-	-
County Treasurer's fees	255	582	600
Director fees	-	-	-
Election costs	-	-	-
Payment of Services to District No. 1	13,820	38,353	122,344
Miscellaneous	-	-	-
Contingency	-	2,000	40,000
Total expenditures	14,075	40,935	162,944
TRANSFERS OUT			
Capital Projects Fund	-	-	-
Debt Service Fund	-	-	-
Total transfers out	-	-	-
Total expenditures and transfers out requiring appropriation	14,075	40,935	162,944
ENDING FUND BALANCE	\$ -	\$ -	\$ -

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

CENTERRA METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

12/1/06

Page 3

ACTUAL	ESTIMATED	ADOPTED
2005	2006	2007

ASSESSED VALUATION - LARIMER COUNTY

Residential	\$ -	\$ 21,160	\$ 12,970
Commercial	-	5,704,880	33,668,270
Industrial	-	124,980	51,700
Agricultural	-	29,500	26,360
State assessed	-	-	21,180
Vacant land	363,730	4,264,330	5,197,070
Personal property	-	-	-
	363,730	10,144,850	38,977,550
Adjustments	-	(9,770,100)	(38,578,590)
Certified Assessed Value	\$ 363,730	\$ 374,750	\$ 398,960

MILL LEVY

General	35.000	35.000	35.000
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	35.000	35.000	35.000

PROPERTY TAXES

General	\$ 12,731	\$ 13,116	\$ 13,964
Debt Service	-	-	-
Temporary Mill Levy Reduction	-	-	-
Refund and abatements	-	-	-
Levied property taxes	12,731	13,116	13,964
Adjustments to actual/rounding	-	319	(64)
Refunds and abatements	-	-	-
Budgeted property taxes	\$ 12,731	\$ 13,435	\$ 13,900

BUDGETED PROPERTY TAXES

General	\$ 12,731	\$ 13,435	\$ 13,900
Debt Service	\$ -	\$ -	\$ -
	\$ 12,731	\$ 13,435	\$ 13,900

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

CENTERRA METROPOLITAN DISTRICT NO. 2
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. 1 (control district), Centerra Metropolitan District No. 3 (residential) and Centerra Metropolitan District No. 4 (regional 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 prepares its budget on the modified accrual basis of accounting.

Revenue

Property Taxes

The calculation of the taxes levied is displayed on page 3 of the budget at the adopted total mill levy of 35.000 for operations. These taxes are then distributed to Centerra Metropolitan District No.1 as required under an intergovernmental agreement.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The forecast assumes that the District's share will be equal to approximately 8% of the property taxes collected by the General Fund.

Interest

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

**CENTERRA METROPOLITAN DISTRICT NO. 2
2007 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

(Continued)

Expenditures

Administrative

With the exception of County Treasurer's fees and Intergovernmental Expenditures, the District does not anticipate any General Fund expenditures in 2007.

Intergovernmental Expenditures

The intergovernmental expenditures are transfers to District No 1 from District Nos 2 - 4 to provide funding for the overall administrative and operating costs for all of the Districts.

Debt and Leases

The District has no outstanding debt. It has no operating or capital leases.

Reserves

Emergency Reserve

The District transfers all of its revenue to Centerra Metropolitan District No. 1 as provided for in an intergovernmental agreement between Centerra Metropolitan District Nos. 1-4. Therefore no emergency reserve has been provided for in Centerra Metropolitan District No. 2. The emergency reserve related to their revenue stream is captured in Centerra Metropolitan District No. 1.

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