

**BOWLES METROPOLITAN DISTRICT**  
**Denver and Jefferson Counties, Colorado**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

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### Independent Auditor's Report

Board of Directors  
Bowles Metropolitan District  
Denver and Jefferson Counties, Colorado

I have audited the accompanying basic financial statements of the governmental activities and each major fund of Bowles Metropolitan District (District) as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bowles Metropolitan District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bowles Metropolitan District, as of December 31, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bowles Metropolitan District's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Debt Service Fund and Capital Projects Fund as listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplemental information on pages 25-30 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

*DAWN A. SCHILUNG, LLC*

July 30, 2008

**BASIC FINANCIAL STATEMENTS**

**BOWLES METROPOLITAN DISTRICT  
STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
December 31, 2007**

**ASSETS**

Cash and investments - unrestricted	\$ 809,118
Cash and investments - restricted	108,126
Cash with County Treasurers	11,329
Due from other entities	4,493
Property taxes receivable	2,104,600
Investment in Joseph W. Bowles Reservoir Company	897,552
Bond issue costs, net of accumulated amortization	741,416
Capital assets, not being depreciated	4,905,710
Capital assets, being depreciated, net of accumulated depreciation	955,279
Total assets	10,537,623

**LIABILITIES**

Accounts payable	35,097
Deferred property taxes	2,104,600
Accrued interest payable	103,168
Bond premium, net of accumulated amortization	300,807
Bonds payable	
Due within one year	279,503
Due within more than one year	23,277,538
Total liabilities	26,100,713

**NET ASSETS**

Invested in capital assets, net of related debt	2,179,107
Restricted	108,126
Unrestricted	(17,850,323)
Total net assets	\$ (15,563,090)

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**BOWLES METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
Year Ended December 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	
Administration	\$ 130,834	\$ -	\$ -	\$ (130,834)
Park and open space	516,346	101,046	20,623	(394,677)
Interest and fiscal charges	1,306,214	-	-	(1,306,214)
	<u>\$ 1,953,394</u>	<u>\$ 101,046</u>	<u>\$ 20,623</u>	<u>(1,831,725)</u>

General revenues:	
Taxes:	
Property taxes	1,992,956
Specific ownership taxes	175,231
Interest income	70,943
Total general revenues	<u>2,239,130</u>
Change in net assets	407,405
Net assets - Beginning	(15,970,495)
Net assets - Ending	<u>\$ (15,563,090)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**BOWLES METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2007**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments - unrestricted	\$ 727,652	\$ -	\$ 81,466	\$ 809,118
Cash and investments - restricted	65,632	42,494	-	108,126
Cash with County Treasurers	11,329	-	-	11,329
Due from other entities	4,493	-	-	4,493
Property tax receivable	953,500	1,151,100	-	2,104,600
<b>TOTAL ASSETS</b>	<b>\$ 1,762,606</b>	<b>\$ 1,193,594</b>	<b>\$ 81,466</b>	<b>\$ 3,037,666</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 35,097	\$ -	\$ -	\$ 35,097
Deferred tax revenues	953,500	1,151,100	-	2,104,600
<b>TOTAL LIABILITIES</b>	<b>988,597</b>	<b>1,151,100</b>	<b>-</b>	<b>2,139,697</b>
<b>FUND BALANCES/NET ASSETS</b>				
<b>Fund Balances:</b>				
Reserved for emergencies	38,400	-	-	38,400
Reserved for Conservation Trust	27,232	-	-	27,232
Reserved for debt service	-	42,494	-	42,494
Reserved for capital projects	-	-	81,466	81,466
Designated for subsequent year's expenditures	693,275	-	-	693,275
Unreserved	15,102	-	-	15,102
<b>TOTAL FUND BALANCES</b>	<b>774,009</b>	<b>42,494</b>	<b>81,466</b>	<b>897,969</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,762,606</b>	<b>\$ 1,193,594</b>	<b>\$ 81,466</b>	

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

Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Capital assets, net of accumulated depreciation	5,860,989
Investment in Joseph W. Bowles Reservoir Company	897,552
Bond issue costs, net of accumulated amortization	741,416
	<b>7,499,957</b>

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

General obligation refunding bonds payable	(23,557,041)
Accrued interest payable	(103,168)
Bond premium, net of accumulated amortization	(300,807)
	<b>(23,961,016)</b>

Net assets of governmental activities	<b>\$ (15,563,090)</b>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**BOWLES METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2007**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property tax	\$ 914,717	\$ 1,078,239	\$ -	\$ 1,992,956
Specific ownership tax	175,231	-	-	175,231
Conservation Trust proceeds	20,623	-	-	20,623
Irrigation reimbursements	101,046	-	-	101,046
Net investment income	64,527	1,330	5,086	70,943
Total revenues	<u>1,276,144</u>	<u>1,079,569</u>	<u>5,086</u>	<u>2,360,799</u>
<b>EXPENDITURES</b>				
Current				
Accounting/audit	13,989	-	-	13,989
Legal	8,063	-	-	8,063
Management fees	53,974	-	-	53,974
Insurance	17,355	-	-	17,355
County Treasurer's fees	11,449	13,498	-	24,947
Office and miscellaneous	7,177	-	-	7,177
Directors' fees and meeting expense	5,329	-	-	5,329
Utilities	11,481	-	-	11,481
Water operations	11,198	-	-	11,198
Water lease payments	39,580	-	-	39,580
Water assessments	24,062	-	-	24,062
Maintenance	341,557	-	464	342,021
Engineering	40,889	-	-	40,889
Special events	3,654	-	-	3,654
Capital outlay	-	-	2,250	2,250
Debt service				
Principal	-	290,000	-	290,000
Interest and fiscal charges	-	1,246,140	-	1,246,140
Total expenditures	<u>589,757</u>	<u>1,549,638</u>	<u>2,714</u>	<u>2,142,109</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	686,387	(470,069)	2,372	218,690
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	506,000	-	506,000
Transfers out	(506,000)	-	-	(506,000)
Total Other Financing Sources (Uses)	<u>(506,000)</u>	<u>506,000</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	180,387	35,931	2,372	218,690
<b>FUND BALANCES - BEGINNING OF YEAR</b>	593,622	6,563	79,094	679,279
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 774,009</u>	<u>\$ 42,494</u>	<u>\$ 81,466</u>	<u>\$ 897,969</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**BOWLES METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2007**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net assets reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ 218,690</u>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	2,250
Depreciation	(44,305)
Capital assessments paid to Joseph W. Bowles Reservoir Company	844
	<u>(41,211)</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Change in accrued interest payable	665
Amortization of bond issue costs	(42,476)
Amortization of deferred charge on refunding	(35,497)
Amortization of bond premium	17,234
	<u>(60,074)</u>
<p>Repayment of the principal of bonds payable is an expenditures in the governmental funds, however, the repayment reduces long-term liabilities in the Statement of Net Assets.</p>	
Principal payments - bonds payable	<u>290,000</u>
Change in net assets - Governmental activities	<u><u>\$ 407,405</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**BOWLES METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended December 31, 2007**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Property tax	\$ 914,785	\$ 914,717	\$ (68)
Specific ownership taxes	150,000	175,231	25,231
Conservation Trust proceeds	16,000	20,623	4,623
Irrigation reimbursements	138,500	101,046	(37,454)
Net investment income	45,000	64,527	19,527
Total Revenues	<u>1,264,285</u>	<u>1,276,144</u>	<u>11,859</u>
<b>EXPENDITURES</b>			
Accounting/Audit	11,000	13,989	(2,989)
Legal	15,000	8,063	6,937
Management fees	60,000	53,974	6,026
Insurance	12,000	17,355	(5,355)
County Treasurer's fees	13,722	11,449	2,273
Office and miscellaneous	11,000	7,177	3,823
Directors' fees and meeting expense	6,460	5,329	1,131
Utilities	25,000	11,481	13,519
Water operations	8,500	11,198	(2,698)
Water lease payments	57,000	39,580	17,420
Water assessments	38,000	24,062	13,938
Maintenance	396,500	341,557	54,943
Engineering	55,000	40,889	14,111
Special events	6,000	3,654	2,346
Capital outlay	20,000	-	20,000
Contingency	565,028	-	565,028
Total Expenditures	<u>1,300,210</u>	<u>589,757</u>	<u>710,453</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(35,925)	686,387	722,312
<b>OTHER FINANCING USES</b>			
Transfers out	(506,000)	(506,000)	-
Total Other Financing Uses	<u>(506,000)</u>	<u>(506,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(541,925)	180,387	722,312
<b>FUND BALANCE - BEGINNING OF YEAR</b>	541,925	593,622	51,697
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 774,009</u>	<u>\$ 774,009</u>

These financial statements should be read only in connection with the  
accompanying notes to financial statements.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Bowles Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in the City of Lakewood, Jefferson County and the City and County of Denver, Colorado. The District was established to provide for the construction of water and sewer facilities, including storm drainage, streets and associated improvements, safety facilities, park and open space facilities and mosquito control. The District is responsible for maintenance for certain parks and open space. All other facilities constructed by the District are conveyed to other governmental entities for perpetual maintenance. Other streetscape maintenance is to be performed by Grant Ranch Master Homeowners Association, Inc.

The District has no employees and all operations and administrative functions are contracted.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net assets and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net assets reports all financial and capital resources of the District, the difference between the assets and liabilities of the District being reported as net assets.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 current period or soon enough thereafter to pay liabilities of the current 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. The major sources of revenue susceptible to accrual are property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Pooled Cash and Investments**

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

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurers collect the determined taxes during the ensuing calendar year. The taxes are payable by April 1 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurers remit the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets, which include land, landscape and signage, park improvements and irrigation systems are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 15-30 years.

**Bond Issue Costs and Original Issue Discount/Premium**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

**Deferred Cost on Bond Refunding**

In the government-wide financial statements, the deferred cost on bond refunding is being amortized using the interest method over the life of the defeased bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a reduction of bonds payable.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally segregated or are not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

The District considers all unreserved fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 11).

**Reserved Fund Balance**

The reserved fund balance, restricted net assets and restricted cash and investments for debt service in the amount of \$42,494 is to be used exclusively for debt service requirements.

The reserved fund balance, restricted net assets and restricted cash and investments for Conservation Trust at December 31, 2007, in the amount of \$27,232 is to be used exclusively for parks and recreation facilities.

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11). \$38,400 of the fund balance, net assets and cash and investments has been reserved/restricted in compliance with this requirement.

**Designated Fund Balance**

The amount classified as "designated for subsequent year's expenditures" at December 31, 2007, represents the amount appropriated for use in the budget for the year ending December 31, 2008.

**NOTE 3 - CASH AND INVESTMENTS**

**Cash 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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

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

At December 31, 2007, the District's cash deposits had a bank balance of \$11,745 and a carrying balance of \$11,675.

**Investments**

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

At December 31, 2007, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 905,569</u>

**COLOTRUST**

At December 31, 2007, the District has invested \$905,569 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST is rated AAAM by Standard and Poor's.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2007 follows:

	Balance at January 1, 2007	Increases	Decreases	Balance at December 31, 2007
<b>Capital assets, not being depreciated:</b>				
Land and easements	\$ 269,543	\$ -	\$ -	\$ 269,543
Landscaping	4,636,167	-	-	4,636,167
<b>Total capital assets, not being depreciated</b>	<b>4,905,710</b>	<b>-</b>	<b>-</b>	<b>4,905,710</b>
<b>Capital assets, being depreciated:</b>				
Park improvements	606,387	2,250	-	608,637
Irrigation systems	689,780	-	-	689,780
<b>Total capital assets, being depreciated</b>	<b>1,296,167</b>	<b>2,250</b>	<b>-</b>	<b>1,298,417</b>
<b>Less accumulated depreciation for:</b>				
Park Improvements	116,141	21,134	-	137,275
Irrigation systems	182,692	23,171	-	205,863
<b>Total accumulated depreciation</b>	<b>298,833</b>	<b>44,305</b>	<b>-</b>	<b>343,138</b>
<b>Total capital assets, being depreciated, net</b>	<b>997,334</b>	<b>(42,055)</b>	<b>-</b>	<b>955,279</b>
<b>Total capital assets, net</b>	<b>\$ 5,903,044</b>	<b>\$ (42,055)</b>	<b>\$ -</b>	<b>\$ 5,860,989</b>

Depreciation expense of \$44,305 was charged to parks and open space function in the Statement of Activities.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 5 – LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2007.

	<u>Balance at January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2007</u>	<u>Due Within One Year</u>
General obligation bonds payable, Series 2003	\$ 24,415,000	\$ -	\$ 290,000	\$ 24,125,000	\$ 315,000
Total long-term debt	24,415,000	\$ -	\$ 290,000	24,125,000	315,000
Less current portion	290,000			315,000	-
Less deferred cost on refunding	567,959			532,462	35,497
	<u>\$ 23,557,041</u>			<u>\$ 23,277,538</u>	<u>\$ 279,503</u>

**General Obligation Bonds**

**\$25,330,000 General Obligation Refunding Bonds, Series 2003, dated September 1, 2003,** with interest of 2.00% to 5.00%, consisting of serial bonds issued in the amount of \$3,520,000 due annually through 2013 and term bonds issued in the original amount of \$2,940,000 due December 1, 2018, \$4,300,000 due December 1, 2023, \$6,125,000 due December 1, 2028 and \$8,445,000 due December 1, 2033. All bonds maturing on and before December 1, 2013 are not subject to redemption prior to their maturities. Bonds maturing on and after December 1, 2014 are subject to redemption prior to their maturities at the option of the District, on December 1, 2013 and on any date thereafter. Term bonds maturing are subject to mandatory sinking fund redemption beginning five years from the date of maturity. The bonds principal and interest are insured as to repayment by Financial Security Assurance, Inc.

The District's long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	315,000	1,238,015	1,553,015
2009	340,000	1,228,565	1,568,565
2010	370,000	1,216,665	1,586,665
2011	400,000	1,202,790	1,602,790
2012	430,000	1,188,390	1,618,390
2013-2017	2,715,000	5,617,337	8,332,337
2018-2022	3,995,000	4,758,369	8,753,369
2023-2027	5,720,000	3,481,850	9,201,850
2028-2032	7,945,000	1,721,725	9,666,725
2033	1,895,000	94,750	1,989,750
	<u>\$ 24,125,000</u>	<u>\$ 21,748,456</u>	<u>\$ 45,873,456</u>

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 6 - 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 and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2007, the District had invested in capital assets, net of related debt calculated as follows:

Invested in capital assets, net of related debt:	
Capital assets - Net of accumulated depreciation	\$ 5,860,989
Bonds payable related to capital assets	<u>(3,681,882)</u>
	<u>\$ 2,179,107</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. The District had restricted net assets as of December 31, 2007 as follows:

Restricted:	
Emergencies	\$ 38,400
Debt service	42,494
Conservation trust	<u>27,232</u>
	<u>\$ 108,126</u>

**NOTE 7 – INTERFUND TRANSFER**

The transfer of \$506,000 from the General Fund to the Debt Service Fund was made to assist the Debt Service Fund in its repayment of principal and interest on the general obligation bonds.

**NOTE 8 – AGREEMENTS**

**Grant Water and Sanitation District**

The District has an intergovernmental agreement (IGA) dated April 14, 1994, with Grant Water and Sanitation District (Grant) which provides for the sharing of costs for certain sized water and sewer lines as well as under drains and storm drainage facilities. The District is located wholly within the service area boundaries of Grant. Pursuant to an amendment to the IGA dated April 14, 1997, Grant and the District clarified the improvements to be constructed by each party and agreed that each party will construct its improvements at its sole cost and expense.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 8 – AGREEMENTS (CONTINUED)**

**Irrigation Agreements**

The District entered into an agreement in 1997 with Grant Ranch Master Homeowners Association, Inc. (Association). The District has agreed to provide irrigation water for certain sites and common elements within the Association. The Association agreed to make payments to the District for water used at the then-current rate of the Denver Water Board for Master Meter Users. Irrigation income of \$30,000 was received by the District in 2007.

The District has entered into irrigation agreements with Belvedere Association Inc., Heron Shores Sub-Homeowners Association, Inc., Dorado Green Sub-Homeowners Association, Inc. and Belmont Shores Sub-Homeowners Association, Inc. collectively called the Sub Associations. The Sub Associations agree to make payments to the District for water usage equal to the Denver Water Board's Master Meter Rate. Irrigation income of \$8,066 was received by the District in 2007 under the agreements.

**Maintenance Agreement**

On December 11, 2001, the District entered into a maintenance agreement with the Grant Ranch Master Homeowners Association, Inc. (Association). The District is to coordinate, administer and perform certain maintenance operations and snow removal for the Association. The amount paid by the District in 2007 for maintenance and snow removal was reimbursed by the Association.

**Storm Water Agreement**

The District has entered into an agreement with the Town of Bow Mar, Bow Mar Owners, Inc., Lower Bowles Company, The Joseph W. Bowles Reservoir Company and RSRF Ranch Company, LLC. The agreement allows the District to discharge storm water onto property of the Town of Bow Mar and Bow Mar Owners, Inc. and ultimately in reservoirs owned by the Lower Bowles Company and the Joseph W. Bowles Reservoir Company. The District is responsible for the maintenance and operation of the storm water discharge system and associated storm water quality and quantity. If the quality of the storm water discharging from the water quality control facility fails to meet defined performance standards, the District is obligated to take corrective action and may be liable for damages. Due to changing water quality standards, the District's costs of operations of these facilities could increase substantially in future years.

**Capital Stock**

At December 31, 2007, the District owned 45 shares of capital stock (shares) in the Joseph W. Bowles Reservoir Company (Company). During 2005, the District purchased 5 of these shares of stock under a water-lease purchase agreement dated July 26, 2002. At December 31, 2007, there are no remaining purchase options under the agreement. The District's interest includes beneficial rights, title and interest in all water, water rights, reservoirs, reservoir rights, storage, storage rights and all other rights represented by the shares.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 8 – AGREEMENTS (CONTINUED)**

The District pays operating and capital assessments as determined necessary by the Company based on the shares owned at the time of the assessments. During, 2007, the District paid operating and capital assessments to the Company in the amounts of \$10,969 and \$844, respectively.

**Water Lease**

In 1997, the District entered into a water lease agreement with Grant Properties I, LTD (GPI) to lease 35 shares of water in the Joseph W. Bowles Reservoir Company. The lease agreement provides for the leasing of water for the District's irrigation purposes. The agreement extends through April 2017. The District is to pay \$740 per share increasing 4% annually and compounding plus assessments per year. The District has an option to purchase all or any of the shares leased from GPI anytime between March 1, 2017 and April 1, 2017 or in conjunction with a complete refunding of the District's general obligation bonds. The option purchase price per share is \$20,000 and increases 4% annually compounding. The District paid \$38,338 to GPI under the lease during 2007 which is approximately \$1,095 per share leased.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2007. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**BOWLES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On May 7, 1996, the District's electors authorized the District to retain and spend all revenue derived from its infrastructure fees in 1995 and all subsequent years up to a maximum of \$4,000,000 along with any investment earnings thereon. Additionally, electors authorized the District to retain and spend all revenue derived from its ad valorem property tax mill levy including specific ownership tax revenue and any investment earnings thereon in 1996 and all subsequent years without limitations under TABOR and any spending limitations that might otherwise apply.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**BOWLES METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
For the Year Ended December 31, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>			
Property tax	\$ 1,078,319	\$ 1,078,239	\$ (80)
Net investment income	-	1,330	1,330
Total Revenues	<u>1,078,319</u>	<u>1,079,569</u>	<u>1,250</u>
<b>EXPENDITURES</b>			
Principal	290,000	290,000	-
Interest	1,245,990	1,245,990	-
Paying agent fees	500	150	350
County treasurer's fees	16,175	13,498	2,677
Total Expenditures	<u>1,552,665</u>	<u>1,549,638</u>	<u>3,027</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(474,346)	(470,069)	4,277
<b>OTHER FINANCING SOURCES</b>			
Transfers in	506,000	506,000	-
Total Other Financing Sources	<u>506,000</u>	<u>506,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	31,654	35,931	4,277
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>657</u>	<u>6,563</u>	<u>5,906</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 32,311</u>	<u>\$ 42,494</u>	<u>\$ 10,183</u>

**BOWLES METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
For the Year Ended December 31, 2007**

	<b>Original and Final Adopted Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Net investment income	\$ 1,000	\$ 5,086	\$ 4,086
Total Revenues	<u>1,000</u>	<u>5,086</u>	<u>4,086</u>
<b>EXPENDITURES</b>			
Other	-	464	(464)
Capital outlay	35,000	2,250	32,750
Total Expenditures	<u>35,000</u>	<u>2,714</u>	<u>32,286</u>
<b>NET CHANGE IN FUND BALANCE</b>	(34,000)	2,372	36,372
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>53,747</u>	<u>79,094</u>	<u>(25,347)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 19,747</u>	<u>\$ 81,466</u>	<u>\$ 11,025</u>

**BOWLES METROPOLITAN DISTRICT  
 FIVE YEAR SUMMARY OF ASSESSED VALUATION , MILL LEVY  
 AND PROPERTY TAXES COLLECTED  
 December 31, 2007  
 (UNAUDITED)**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2003	\$ 48,461,110	40.000	\$ 1,938,444	\$ 1,940,762	100.1%
2004	\$ 47,439,030	40.000	\$ 1,897,561	\$ 1,896,280	99.9%
2005	\$ 47,240,700	40.000	\$ 1,889,628	\$ 1,889,664	100.0%
2006	\$ 48,245,040	40.000	\$ 1,929,800	\$ 1,938,800	100.5%
2007	\$ 49,827,590	40.000	\$ 1,993,104	\$ 1,992,956	100.0%
Estimated for year ending December 31, 2008	\$ 52,617,120	40.000	\$ 2,104,685		

**NOTE:** Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurers do not permit identification of specific year of levy.

**BOWLES METROPOLITAN DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2007**  
**(UNAUDITED)**

**\$25,330,000 General Obligation**  
**Refunding Bonds, Series 2003**  
**Dated September 1, 2003**  
**Interest Rate 2.0% to 5.0%**  
**Principal Due December 1**  
**Interest Due June 1 and December 1**

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	315,000	1,238,015	1,553,015
2009	340,000	1,228,565	1,568,565
2010	370,000	1,216,665	1,586,665
2011	400,000	1,202,790	1,602,790
2012	430,000	1,188,390	1,618,390
2013	460,000	1,172,050	1,632,050
2014	495,000	1,153,650	1,648,650
2015	540,000	1,127,044	1,667,044
2016	585,000	1,098,018	1,683,018
2017	635,000	1,066,575	1,701,575
2018	685,000	1,032,444	1,717,444
2019	740,000	995,625	1,735,625
2020	795,000	954,925	1,749,925
2021	855,000	911,200	1,766,200
2022	920,000	864,175	1,784,175
2023	990,000	813,575	1,803,575
2024	1,065,000	759,125	1,824,125
2025	1,140,000	700,550	1,840,550
2026	1,220,000	637,850	1,857,850
2027	1,305,000	570,750	1,875,750
2028	1,395,000	498,975	1,893,975
2029	1,490,000	422,250	1,912,250
2030	1,585,000	347,750	1,932,750
2031	1,685,000	268,500	1,953,500
2032	1,790,000	184,250	1,974,250
2033	1,895,000	94,750	1,989,750
	<u>\$ 24,125,000</u>	<u>\$ 21,748,456</u>	<u>\$ 45,873,456</u>

**BOWLES METROPOLITAN DISTRICT**  
**ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT**  
 December 31, 2007  
 (UNAUDITED)

Overlapping Entity	2007 Assessed Valuation	Outstanding General Obligation Debt	Percent	Net Outstanding General Obligation Debt Chargeable to Properties Within the District
City and County of Denver	\$ 10,660,627,490	\$ 422,924,000	0.25%	\$ 1,048,881
City and County of Denver School District No. 1	10,025,025,839	685,232,154 **	0.26%	1,807,170
Jefferson County School District R-1	7,391,860,960	693,618,979 **	0.35%	2,456,428
				<u>\$ 5,312,478</u>

\*\* Balance of General Obligation debt as of June 30, 2007

**BOWLES METROPOLITAN DISTRICT  
TEN LARGEST TAXPAYERS WITHIN THE DISTRICT  
December 31, 2007  
(UNAUDITED)**

<u>Name/Business</u>	<u>Assessed Valuation</u>	<u>% of 2007 Total District Assessed Valuation (1)</u>
ORI Colorado, Inc.	\$ 3,175,610	6.04%
Hollander Family, LLC	293,930	0.56%
Individual property owner	185,480	0.35%
Camden Lakeway Apartments	134,920	0.26%
Individual property owner	103,360	0.20%
Individual property owner	102,920	0.20%
Individual property owner	100,680	0.19%
Individual property owner	89,550	0.17%
Individual property owner	88,160	0.17%
Individual property owner	85,880	0.16%
	<u>\$ 4,360,490</u>	<u>8.30%</u>

(1) Based on 2007 certified assessed valuation for the District of \$52,617,120

**BOWLES METROPOLITAN DISTRICT  
TAX LEVIES APPLICABLE TO TYPICAL PROPERTIES  
LOCATED IN THE DISTRICT  
December 31, 2007  
(UNAUDITED)**

**For Properties in Denver**

City and County of Denver School District No. 1	39.210
City and County of Denver	27.119
Urban Drainage and Flood Control District	0.507
Grant Water and Sanitation District	0.000
	<u>66.836</u>

**For Properties in Lakewood**

Jefferson County School District No. R-1	48.118
Jefferson County	24.346
West Metro Fire District	13.702
Urban Drainage and Flood Control District	0.507
Urban Drainage and Flood Control District - South Platte	0.061
Grant Water and Sanitation District	0.000
City of Lakewood	4.711
	<u>91.445</u>

**For Properties in Unincorporated Jefferson County**

Jefferson County School District No. R-1	48.118
Jefferson County	24.346
Jefferson County Law Enforcement Authority	3.051
Littleton Fire Protection District	7.678
Urban Drainage and Flood Control District	0.507
Urban Drainage and Flood Control District - South Platte	0.061
Grant Water and Sanitation District	0.000
	<u>83.761</u>

**BOWLES METROPOLITAN DISTRICT  
ASSESSED VALUATION OF CLASSES OF  
PROPERTY IN THE DISTRICT**

December 31, 2007  
(AUDITED)

Class	Denver County (1)	Unincorporated Jefferson County	City of Lakewood	Total	% of Total Assessed Valuation
Residential	\$ 26,439,100	\$ 14,507,210	\$ 10,523,730	\$ 51,470,040	97.82%
Commercial	-	424,350	-	424,350	0.81%
Vacant	-	-	58,610	58,610	0.11%
Public Utilities (State Assessed)	-	572,990	-	572,990	1.09%
Industrial	-	-	-	-	0.00%
Agricultural	-	-	-	-	0.00%
Natural Resources	-	-	-	-	0.00%
Personal Property	-	-	91,130	91,130	0.17%
<b>Total</b>	<b>\$ 26,439,100</b>	<b>\$ 15,504,550</b>	<b>\$ 10,673,470</b>	<b>\$ 52,617,120</b>	<b>100.00%</b>

(1) Personal property assessed valuation was not available. However, as there is no Commercial real property assessed valuation in this County, personal property assessed valuation is believed to be immaterial.