

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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Independent Auditor's Report

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

We 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, 2008, 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. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bowles Metropolitan District, as of December 31, 2008, 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.

Our 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 our 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, we express no opinion on them.

SCHILLING & COMPANY, INC.

July 14, 2009

BASIC FINANCIAL STATEMENTS

**BOWLES METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
December 31, 2008**

ASSETS

Cash and investments - unrestricted	\$ 777,999
Cash and investments - restricted	138,671
Cash with County Treasurers	12,069
Due from other entities	8,089
Grant receivable	17,200
Property taxes receivable	2,091,800
Investment in Joseph W. Bowles Reservoir Company	911,615
Bond issue costs, net of accumulated amortization	699,211
Capital assets, not being depreciated	4,905,710
Capital assets, being depreciated, net of accumulated depreciation	993,023
Total assets	<u>10,555,387</u>

LIABILITIES

Accounts payable	63,747
Deferred property taxes	2,091,800
Accrued interest payable	102,380
Bonds payable	
Due within one year	321,496
Due within more than one year	23,239,726
Total liabilities	<u>25,819,149</u>

NET ASSETS

Invested in capital assets, net of related debt	2,565,591
Restricted	138,590
Unrestricted	(17,967,943)
Total net assets	<u>\$ (15,263,762)</u>

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, 2008**

<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	\$ 130,011	\$ -	\$ -	\$ (130,011)
Park and open space	729,805	132,384	37,951	(559,470)
Interest and fiscal charges	1,297,956	-	-	(1,297,956)
	<u>\$ 2,157,772</u>	<u>\$ 132,384</u>	<u>\$ 37,951</u>	<u>(1,987,437)</u>

General revenues:	
Taxes:	
Property taxes	2,086,521
Specific ownership taxes	159,588
Interest income	39,526
Other	1,130
Total general revenues	<u>2,286,765</u>
Change in net assets	299,328
Net assets - Beginning	(15,563,090)
Net assets - Ending	<u>\$ (15,263,762)</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, 2008**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments - unrestricted	\$ 770,204	\$ -	\$ 7,795	\$ 777,999
Cash and investments - restricted	39,000	99,671	-	138,671
Cash with County Treasurers	12,089	-	-	12,089
Due from other entities	8,089	-	-	8,089
Grant receivable	-	-	17,200	17,200
Property tax receivable	947,700	1,144,100	-	2,091,800
TOTAL ASSETS	\$ 1,777,062	\$ 1,243,771	\$ 24,995	\$ 3,045,828
LIABILITIES				
Accounts payable	\$ 63,666	\$ 81	\$ -	\$ 63,747
Deferred tax revenues	947,700	1,144,100	-	2,091,800
TOTAL LIABILITIES	1,011,366	1,144,181	-	2,155,547
FUND BALANCES/NET ASSETS				
Fund Balances:				
Reserved for emergencies	39,000	-	-	39,000
Reserved for debt service	-	99,590	-	99,590
Reserved for capital projects	-	-	24,995	24,995
Designated for subsequent year's expenditures	726,696	-	-	726,696
TOTAL FUND BALANCES	765,696	99,590	24,995	890,281
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,777,062	\$ 1,243,771	\$ 24,995	

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	5,898,733
Investment in Joseph W. Bowles Reservoir Company	911,615
Bond issue costs, net of accumulated amortization	699,211
	<u>7,509,559</u>

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	(23,561,222)
Accrued interest payable	(102,380)
	<u>(23,663,602)</u>

Net assets of governmental activities \$ (15,263,762)

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, 2008**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property tax	\$ 945,298	\$ 1,141,223	\$ -	\$ 2,086,521
Specific ownership tax	159,588	-	-	159,588
Conservation Trust proceeds	20,751	-	-	20,751
Irrigation and HOA reimbursements	132,384	-	-	132,384
Grant revenue	-	-	17,200	17,200
Miscellaneous	1,130	-	-	1,130
Net investment income	36,005	862	2,659	39,526
Total revenues	<u>1,295,156</u>	<u>1,142,085</u>	<u>19,859</u>	<u>2,457,100</u>
EXPENDITURES				
Current				
Accounting/audit	14,734	-	-	14,734
Legal	12,586	-	-	12,586
Management fees	68,836	-	-	68,836
Insurance	175	-	-	175
County Treasurer's fees	9,794	11,824	-	21,618
Office and miscellaneous	5,510	-	-	5,510
Directors' fees and meeting expense	6,552	-	-	6,552
Utilities	18,383	-	-	18,383
Water operations	653	-	-	653
Water lease payments	39,871	-	-	39,871
Water assessments	50,004	-	-	50,004
Maintenance	522,936	-	14,427	537,363
Engineering	42,103	-	-	42,103
Special events	7,658	-	-	7,658
Capital outlay	23,674	-	61,903	85,577
Debt service				
Principal	-	315,000	-	315,000
Interest and fiscal charges	-	1,238,165	-	1,238,165
Total expenditures	<u>823,469</u>	<u>1,564,989</u>	<u>76,330</u>	<u>2,464,788</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>471,687</u>	<u>(422,904)</u>	<u>(56,471)</u>	<u>(7,688)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	480,000	-	480,000
Transfers (out)	(480,000)	-	-	(480,000)
Total Other Financing Sources (Uses)	<u>(480,000)</u>	<u>480,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(8,313)	57,096	(56,471)	(7,688)
FUND BALANCES - BEGINNING OF YEAR	774,009	42,494	81,466	897,969
FUND BALANCES - END OF YEAR	<u>\$ 765,696</u>	<u>\$ 99,590</u>	<u>\$ 24,995</u>	<u>\$ 890,281</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, 2008**

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>\$ (7,688)</u>
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.	
Capital outlay	85,577
Depreciation	(47,833)
Capital assessments paid to Joseph W. Bowles Reservoir Company	14,063
	<u>51,807</u>
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.	
Change in accrued interest payable	788
Amortization of bond issue costs	(42,205)
Amortization of deferred charge on refunding	(35,497)
Amortization of bond premium	17,123
	<u>(59,791)</u>
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.	
Principal payments - bonds payable	<u>315,000</u>
Change in net assets - Governmental activities	<u>\$ 299,328</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, 2008**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property tax	\$ 953,993	\$ 945,298	\$ (8,695)
Specific ownership taxes	147,373	159,588	12,215
Conservation Trust proceeds	16,000	20,751	4,751
Irrigation reimbursements	58,500	132,384	73,884
Net investment income	55,000	36,005	(18,995)
Miscellaneous	-	1,130	1,130
Total Revenues	<u>1,230,866</u>	<u>1,295,156</u>	<u>64,290</u>
EXPENDITURES			
Accounting/Audit	16,000	14,734	1,266
Legal	15,000	12,586	2,414
Management fees	60,000	68,836	(8,836)
Insurance	12,000	175	11,825
County Treasurer's fees	14,310	9,794	4,516
Office and miscellaneous	8,460	5,510	2,950
Directors' fees and meeting expense	6,000	6,552	(552)
Utilities	28,000	18,383	9,617
Water pump services	9,000	653	8,347
Water lease payments	61,000	39,871	21,129
Water assessments	40,500	50,004	(9,504)
Maintenance	426,500	522,936	(96,436)
Engineering	50,000	42,103	7,897
Special events	9,000	7,658	1,342
Capital outlay	16,000	23,674	(7,674)
Contingency	622,371	-	622,371
Total Expenditures	<u>1,394,141</u>	<u>823,469</u>	<u>570,672</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(163,275)</u>	<u>471,687</u>	<u>634,962</u>
OTHER FINANCING USES			
Transfers out	(530,000)	(480,000)	50,000
Total Other Financing Uses	<u>(530,000)</u>	<u>(480,000)</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	(693,275)	(8,313)	684,962
FUND BALANCE - BEGINNING OF YEAR	693,275	774,009	80,734
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 765,696</u>	<u>\$ 765,696</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, 2008**

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, 2008**

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 and grants. 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, 2008**

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, 2008**

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 as follows:

Park improvements	10-30 years
Irrigation improvements	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, 2008**

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 \$99,590 is to be used exclusively for debt service requirements.

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11). \$39,000 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, 2008, represents the amount appropriated for use in the budget for the year ending December 31, 2009.

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 102% of the aggregate uninsured deposits.

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, 2008, the District's cash deposits had a bank balance of \$37,087 and a carrying balance of \$36,902.

**BOWLES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Cash and investments at December 31, 2008 consist of the following:

Deposits with financial institutions	\$ 36,902
Investments	<u>879,768</u>
	<u>\$ 916,670</u>

Cash and investments are reflected on the Statement of Net Assets and the Balance Sheet as follows:

Cash and investments – unrestricted	\$ 777,999
Cash and investments – restricted	<u>138,671</u>
	<u>\$ 916,670</u>

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 and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts

At December 31, 2008, 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>\$ 879,768</u>

COLOTRUST

At December 31, 2008, the District has invested \$879,768 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, 2008**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2008 follows:

	Balance at December 31 2007	Increases	Decreases	Balance at December 31, 2008
Capital assets, not being depreciated:				
Land and easements	\$ 269,543	\$ -	\$ -	\$ 269,543
Landscaping	4,636,167	-	-	4,636,167
Total capital assets, not being depreciated	4,905,710	-	-	4,905,710
Capital assets, being depreciated:				
Park improvements	608,637	61,903	-	670,540
Irrigation systems	689,780	23,674	-	713,454
Total capital assets, being depreciated	1,298,417	85,577	-	1,383,994
Less accumulated depreciation for:				
Park improvements	137,275	24,229	-	161,504
Irrigation systems	205,863	23,604	-	229,467
Total accumulated depreciation	343,138	47,833	-	390,971
Total capital assets, being depreciated, net	955,279	37,744	-	993,023
Total capital assets, net	\$ 5,860,989	\$ 37,744	\$ -	\$ 5,898,733

Depreciation expense of \$47,833 was charged to the park and open space function in the Statement of Activities.

**BOWLES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008.

	Balance at December 31 2007	Additions	Reductions	Balance at December 31, 2008	Due Within One Year
General obligation bonds payable, Series 2003	\$ 24,125,000	\$ -	\$ 315,000	\$ 23,810,000	\$ 340,000
Total long-term debt	24,125,000	-	315,000	23,810,000	340,000
Plus bond premium	300,808			283,684	16,993
Less deferred cost on refunding	(567,959)			(532,462)	(35,497)
Less current portion	(315,000)			(321,496)	-
	<u>\$ 23,542,849</u>			<u>\$ 23,239,726</u>	<u>\$ 321,496</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:

	Principal	Interest	Total
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
2014-2018	2,940,000	5,477,731	8,417,731
2019-2023	4,300,000	4,539,500	8,839,500
2024-2028	6,125,000	3,167,250	9,292,250
2029-2033	8,445,000	1,317,500	9,762,500
	<u>\$ 23,810,000</u>	<u>\$ 20,510,441</u>	<u>\$ 44,320,441</u>

At December 31, 2008, the District had no authorized but unissued debt.

**BOWLES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, 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	\$ 5,898,733
Bonds payable related to capital assets	<u>(3,333,142)</u>
	<u>\$ 2,565,591</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, 2008 as follows:

Restricted:	
Emergencies	\$ 39,000
Debt service	<u>99,590</u>
	<u>\$ 138,590</u>

The District's unrestricted net assets at December 31, 2008 totaled \$(17,967,943). This deficit amount was a result of the District being responsible for repayment of bonds issued for public improvements conveyed to other governmental entities.

NOTE 7 – INTERFUND TRANSFER

The transfer of \$480,000 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.

**BOWLES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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.

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 2008.

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 \$5,890 was received by the District in 2008 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 2008 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.

**BOWLES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 8 – AGREEMENTS (CONTINUED)

Capital Stock

At December 31, 2008, 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, 2008, 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.

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, 2008, the District paid operating and capital assessments to the Company in the amounts of \$14,063 and \$14,063, 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 \$39,871 to GPI under the lease during 2008 which is approximately \$1,139 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, 2008. 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, 2008**

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
Year Ended December 31, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Property tax	\$ 1,151,720	\$ 1,141,223	\$ (10,497)
Net investment income	-	862	862
Total Revenues	<u>1,151,720</u>	<u>1,142,085</u>	<u>(9,635)</u>
EXPENDITURES			
Principal	315,000	315,000	-
Interest	1,238,015	1,238,015	-
Paying agent fees	500	150	350
County treasurer's fees	17,276	11,824	5,452
Total Expenditures	<u>1,570,791</u>	<u>1,564,989</u>	<u>5,802</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(419,071)</u>	<u>(422,904)</u>	<u>(3,833)</u>
OTHER FINANCING SOURCES			
Transfers in	530,000	480,000	(50,000)
Total Other Financing Sources	<u>530,000</u>	<u>480,000</u>	<u>(50,000)</u>
NET CHANGE IN FUND BALANCE	110,929	57,096	(53,833)
FUND BALANCE - BEGINNING OF YEAR	<u>38,591</u>	<u>42,494</u>	<u>3,903</u>
FUND BALANCE - END OF YEAR	<u>\$ 149,520</u>	<u>\$ 99,590</u>	<u>\$ (49,930)</u>

**BOWLES METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2008**

	<u>Original and Final Adopted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Net investment income	\$ 7,000	\$ 2,659	\$ (4,341)
Grant revenue	-	17,200	17,200
Total Revenues	<u>7,000</u>	<u>19,859</u>	<u>12,859</u>
EXPENDITURES			
Maintenance	-	13,360	(13,360)
Other	-	1,067	(1,067)
Capital outlay	80,000	61,903	18,097
Total Expenditures	<u>80,000</u>	<u>76,330</u>	<u>3,670</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(73,000)</u>	<u>(56,471)</u>	<u>16,529</u>
OTHER FINANCING SOURCES			
Transfers in	50,000	-	(50,000)
Total Other Financing Sources	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
NET CHANGE IN FUND BALANCE	(23,000)	(56,471)	(33,471)
FUND BALANCE - BEGINNING OF YEAR	<u>67,549</u>	<u>81,466</u>	<u>13,917</u>
FUND BALANCE - END OF YEAR	<u>\$ 44,549</u>	<u>\$ 24,995</u>	<u>\$ (19,554)</u>

**BOWLES METROPOLITAN DISTRICT
 FIVE YEAR SUMMARY OF ASSESSED VALUATION , MILL LEVY
 AND PROPERTY TAXES COLLECTED
 December 31, 2008
 (UNAUDITED)**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
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%
2008	\$ 52,617,120	40.000	\$ 2,104,685	\$ 2,086,521	99.1%
Estimated for year ending December 31, 2009	\$ 52,298,570	40.000	\$ 2,091,943		

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, 2008
(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

Year Ending December 31,	Interest Due June 1 and December 1		
	Principal	Interest	Total
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
	\$ 23,810,000	\$ 20,510,441	\$ 44,320,441

BOWLES METROPOLITAN DISTRICT
ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT
Year Ended December 31, 2008
(UNAUDITED)

Overlapping Entity	2008 Assessed Valuation	Outstanding General Obligation Debt	Net Outstanding General Obligation Debt Chargeable to Properties Within the District	
			Percent	Amount
City and County of Denver	\$ 10,863,244,130	\$ 551,679,000	0.24%	\$ 1,342,971
City and County of Denver School District No. 1	10,186,128,917	649,436,354 **	0.26%	1,686,037
Jefferson County School District R-1	7,459,108,131	651,955,000 **	0.35%	2,291,273
West Metro Fire Protection District	3,079,358,050	41,305,000	0.37%	154,691
				<u>\$ 5,474,972</u>

** Balance of General Obligation debt as of June 30, 2008

**BOWLES METROPOLITAN DISTRICT
 TEN LARGEST TAXPAYERS WITHIN THE DISTRICT
 Year Ended December 31, 2008
 (UNAUDITED)**

<u>Name/Business</u>	<u>Assessed Valuation</u>	<u>% of 2008 Total District Assessed Valuation (1)</u>
CUSA Community Center	\$ 3,666,040	7.01%
Hollander Family, LLC	362,240	0.69%
Individual property owner	205,790	0.39%
Individual property owner	135,320	0.26%
Camden Lakeway Apartments	125,780	0.24%
Individual property owner	121,670	0.23%
Individual property owner	117,780	0.23%
Individual property owner	101,870	0.19%
Individual property owner	96,090	0.18%
Individual property owner	96,070	0.18%
	<u>\$ 5,028,650</u>	<u>9.60%</u>

(1) Based on 2008 certified assessed valuation for the District of \$52,298,570

**BOWLES METROPOLITAN DISTRICT
TAX LEVIES APPLICABLE TO TYPICAL PROPERTIES
LOCATED IN THE DISTRICT
Year Ended December 31, 2008
(UNAUDITED)**

For Properties in Denver

Bowles Metropolitan District	40.000
City and County of Denver School District No. 1	39.657
City and County of Denver	26.535
Urban Drainage and Flood Control District	0.591
Grant Water and Sanitation District	0.000
	<u>106.783</u>

For Properties in Lakewood

Jefferson County School District No. R-1	48.284
Bowles Metropolitan District	40.000
Jefferson County	24.346
West Metro Fire District	13.737
Urban Drainage and Flood Control District	0.528
Urban Drainage and Flood Control District - South Platte	0.063
Grant Water and Sanitation District	0.000
City of Lakewood	4.711
	<u>131.669</u>

For Properties in Unincorporated Jefferson County

Jefferson County School District No. R-1	48.284
Bowles Metropolitan District	40.000
Jefferson County	24.346
Jefferson County Law Enforcement Authority	3.200
Littleton Fire Protection District	7.678
Urban Drainage and Flood Control District	0.528
Urban Drainage and Flood Control District - South Platte	0.063
Grant Water and Sanitation District	0.000
	<u>124.099</u>

**BOWLES METROPOLITAN DISTRICT
 ASSESSED VALUATION OF CLASSES OF
 PROPERTY IN THE DISTRICT
 Year Ended December 31, 2008
 (UNAUDITED)**

Class	Denver County (1)	Unincorporated Jefferson County	City of Lakewood	Total	% of Total Assessed Valuation
Residential	\$ 26,444,760	\$ 14,047,800	\$ 10,990,440	\$ 51,483,000	98.44%
Commercial	-	376,900	-	376,900	0.72%
Vacant	-	-	-	-	0.00%
Public Utilities (State Assessed)	-	338,790	-	338,790	0.65%
Industrial	-	-	-	-	0.00%
Agricultural	-	-	-	-	0.00%
Natural Resources	-	-	-	-	0.00%
Personal Property	-	-	99,880	99,880	0.19%
Total	\$ 26,444,760	\$ 14,763,490	\$ 11,090,320	\$ 52,298,570	100.00%

(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.