

CENTERRA PUBLIC IMPROVEMENT
COLLECTION CORPORATION
Loveland, Colorado

FINANCIAL STATEMENTS
December 31, 2010

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HCH, PC
CERTIFIED PUBLIC ACCOUNTANTS

88 Inverness Circle East, M-103
Englewood, CO 80112

Report of Independent Certified Public Accountants

Board of Directors
Centerra Public Improvement Corporation.

We have audited the accompanying statements of financial position of the Centerra Public Improvement Corporation (a non-profit organization) as of December 31, 2010, and the statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Centerra Public Improvement Corporation's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Centerra Public Improvement Corporation as of December 31, 2010, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

HCH, PC

HCH, PC
June 15, 2011

CENTERRA PUBLIC IMPROVEMENT COLLECTION CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2010

CURRENT ASSETS	
Cash	\$ 83,433
Total current assets	<u>83,433</u>
TOTAL ASSETS	<u><u>\$ 83,433</u></u>
CURRENT LIABILITIES	
Accounts payable	\$ 21,895
Total current liabilities	<u>21,895</u>
TOTAL LIABILITIES	<u>21,895</u>
NET ASSETS	
Unrestricted net assets	<u>61,538</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 83,433</u></u>

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

CENTERRA PUBLIC IMPROVEMENT COLLECTION CORPORATION
STATEMENT OF ACTIVITIES - BUDGET AND ACTUAL
Year Ended December 31, 2010

	<u>Annual Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
PIF funds released	\$ 2,256,830	\$ 2,412,808	\$ 155,978
Other revenue	<u>2,400,000</u>	<u>-</u>	<u>(2,400,000)</u>
Total Revenues	<u>4,656,830</u>	<u>2,412,808</u>	<u>(2,244,022)</u>
EXPENSES			
Accounting and auditing	\$ 10,000	\$ 4,420	\$ 5,580
Insurance	6,000	6,685	(685)
Legal	9,000	2,447	6,553
Management	12,000	15,053	(3,053)
Office expense/miscellaneous/contingency	10,250	155	10,095
PIF Refunds	-	6,998	(6,998)
Transfer to Centerra Metropolitan Dist No. 1	2,256,830	-	2,256,830
City Impact Fees	1,355,816	1,355,816	-
Constructor Reimbursements	<u>1,035,184</u>	<u>1,047,950</u>	<u>(12,766)</u>
Total expenses	<u>4,695,080</u>	<u>2,439,524</u>	<u>2,255,556</u>
CHANGE IN NET ASSETS	(38,250)	(26,716)	11,534
NET ASSETS - BEGINNING	88,255	88,254	(1)
NET ASSETS - ENDING	<u>\$ 50,005</u>	<u>\$ 61,538</u>	<u>\$ 11,533</u>

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

CENTERRA PUBLIC IMPROVEMENT COLLECTION CORPORATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from retailers (collected by City of Loveland)	\$ 2,516,904
Cash payments to vendors	(34,842)
Cash payments to/from Centerra Metropolitan District No. 1 - Net	(84,645)
Cash payments to City of Loveland - impact fees	(1,355,851)
Cash payments for construction reimbursements	(1,047,985)
Net cash provided by operating activities	(6,419)

NET INCREASE IN CASH AND CASH EQUIVALENTS (6,419)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 89,852

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 83,433

Reconciliation of operating income (loss) to net cash provided by operating activities

Operating (loss)	\$ (26,716)
Increase in accounts payable	20,297
Net cash provided by operating activities	(6,419)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On January 26, 2004, Centerra Public Improvement Collection Corporation (PIC) was formed. The PIC is a nonprofit corporation under Section 501(c)(4) and was formed for the purpose of adopting and imposing Declarations and Covenants on property within the Centerra development and for the purpose of imposing and collecting certain fees.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in the net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Unrestricted investments with maturities of three months or less from the date of purchase are considered cash equivalents.

Revenue

In accordance with the Master Financing Agreement, the PIC has required under its Declaration and Covenants that all retailers collect a public improvement fee of 1.25% on sales that are taxable under the City of Loveland’s sales tax ordinance.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2010 are classified in the accompanying financial statements as follows:

Total cash	<u>\$ 83,433</u>
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Deposits with Financial Institutions

At December 31, 2010, the PIC’s cash deposits had a bank balance of \$83,433 and a carrying balance of \$83,433.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The PIC maintains its cash accounts at two financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2010, the PIC did not have cash on deposit exceeding the insured limit.

NOTE 4 – RELATED PARTY TRANSACTIONS

A voting majority of the board members of the PIC are employees, owners or are otherwise associated with McWhinney (Developer), which is the developer of Centerra. Centerra Metropolitan District No. 1 (District) is comprised of a five member board. Each of the board members of the District is also an employee, owner or is otherwise associated with the Developer. The PIC entered into an agreement with the District on June 4, 2004, whereby the PIC agreed to remit to the District certain revenue received from fees imposed by the PIC in consideration of the District's financing, construction and operation of public improvements within Centerra which benefit the members of the PIC.