

**Cordillera Valley Club Metropolitan District
Eagle County, Colorado
Financial Statements**

December 31, 2006

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Financial Statements
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INDEPENDENT AUDITOR'S REPORT

Board of Directors Cordillera Valley Club Metropolitan District Eagle County, Colorado

We have audited the accompanying financial statements of the governmental activities and each fund of the Cordillera Valley Club Metropolitan District (the "District"), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 respective financial position of the governmental activities and fund information of the Cordillera Valley Club Metropolitan District as of December 31, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's discussion and analysis in Section B is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary schedules of revenues and expenditures in Section E are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information included as Supplementary Information in Section F is presented for purposes of additional analysis and is not a required part of the financial statements of the Cordillera Valley Club Metropolitan District. The information in these schedules 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.

McMahan and Associates, L.L.C.
March 8, 2007

Performing services for local governments throughout Colorado

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Cordillera Valley Club Metropolitan District

Management's Discussion and Analysis December 31, 2006

As management of Cordillera Valley Club Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is primarily operating and maintaining the roads within the District. There are no business-type activities within the District.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has three funds; the General Fund, the Debt Service Fund and the Capital Projects Fund which are governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The governmental funds financial statements can be found on pages C3 and C4 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages D1 through D14 of this report.

Supplementary Information. Supplementary information is contained on pages E1 and F1 through F4 and provides additional insight into how the District's actual operations compared to the budgeted operations and also provide information on the District's assessed value and property taxes levied and detailed schedules of the District's debt service requirements.

Government-wide Financial Analysis. The District's primary source of revenue is property taxes. During 2006, the District also obtained funding through contributions from Cordillera Valley Club Property Owners Association which were used for various capital projects and to cover a portion of the cost of providing public safety services. The property taxes levied by the District in 2006 are payable by the property owners in 2007.

The following charts show the District's condensed Statement of Net Assets and Condensed Statement of Activities for 2006 and 2005:

Cordillera Valley Club Metropolitan District's Net Assets

	2006	2005
Assets:		
Current and other assets	\$676,839	\$622,625
Capital assets	664,865	405,888
Total assets	1,341,704	1,028,513
Liabilities:		
Other liabilities	442,850	447,134
Long-term liabilities outstanding	175,330	196,235
Total liabilities	618,180	643,369
Net assets:		
Invested in capital assets, net of related debt	498,067	219,189
Restricted for emergencies	23,272	16,378
Unrestricted	202,185	149,577
Total Net Assets	\$723,524	\$385,144

Overview of the Financial Statements (continued)

Cordillera Valley Club Metropolitan District's Change in Net Assets

	2006	2005
Revenues:		
Program revenues:		
Operating grants and contributions	\$423,530	\$190,820
Capital grants and contributions	34,491	130,000
General revenues:		
Property taxes	405,451	389,720
Other taxes	26,591	24,932
Interest and other revenue	8,653	4,282
Total Revenues	898,716	739,754
Expenses:		
General government	77,533	75,379
Public safety	243,075	210,518
Public works		
Community operations	230,637	164,919
Interest on long-term debt	9,091	9,364
Total Expenses	560,336	460,180
Change in Net Assets	338,380	279,574
Net Assets - Beginning	385,144	105,570
Net Assets - Ending	\$723,524	\$385,144

The District's overall financial position, as measured by net assets, increased by \$338,380 during 2006. The increase in net assets is primarily the result of the collection of property taxes levied for operating purposes as well as the contributions from the Association for capital projects that created a surplus.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the fiscal year, the District's combined fund balances increased \$59,147 due primarily to property and other taxes and contributions from Cordillera Valley Club Property Owners Association in excess of expenditures for the year. The combined fund balances at the end of the year were \$228,459.

Financial Analysis of the District's Funds (continued)

Budget Variances. The most significant budget variance for the year was in the Capital Projects fund and was the result of deferring construction of the berm while PUD amendment approval was being obtained.

Capital Assets. The District's capital assets grew by \$258,977 during 2006 to \$664,865. These capital asset additions included various landscaping improvements and the berm study and design. Additional information can be found in the Notes to the Financial Statement on page D10 of this report.

Long-term Debt. The District's primary long-term debt is \$203,000 in bonds issued during 2003 to provide funds for the construction of landscape and fencing improvements. Additionally, the District entered into a capital lease during 2004 to pay for the purchase of a security vehicle and related equipment for \$25,620. The District repaid \$20,905 during 2006 reducing the outstanding balance on these obligations to \$175,330 at the end of 2006. Additional information can be found in the Notes to the Financial Statement on pages D11 through D12 of this report.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robertson & Marchetti, PC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Cordillera Valley Club Metropolitan District
Statement of Net Assets
December 31, 2006

Assets:	
Cash	161,726
Accounts receivable - Eagle County Treasurer	1,985
Accounts receivable - CVCPOA	108,628
Property tax receivable	395,968
Capital assets, net	664,865
Bond issuance costs, net	8,532
Total Assets	<u><u>1,341,704</u></u>
Liabilities:	
Accounts payable	43,880
Accrued interest payable	3,002
Deferred property tax	395,968
Non-current liabilities due within one year:	
Bonds payable	15,024
Capital lease	6,739
Non-current liabilities due in excess of one year:	
Bonds payable	146,597
Capital lease	6,970
Total Liabilities	<u><u>618,180</u></u>
Net Assets:	
Invested in capital and other assets, net of related debt	498,067
Restricted for emergencies	23,272
Unrestricted	202,185
Total Net Assets	<u><u>723,524</u></u>

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

Cordillera Valley Club Metropolitan District
Statement of Activities
For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:				
General government	77,533	423,530	-	345,997
Public safety	243,075	-	-	(243,075)
Community operations	230,637	-	34,491	(196,146)
Interest on long-term debt	9,091	-	-	(9,091)
Total governmental activities	560,336	423,530	34,491	(102,315)
General revenues:				
Taxes:				
Property tax, levied for general purposes				405,451
Specific ownership tax				26,591
Miscellaneous income				-
Investment earnings				8,653
Total general revenues, special items, and transfers				440,695
Change in net assets				338,380
Net Assets - Beginning				385,144
Net Assets - Ending				723,524

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

FUND FINANCIAL STATEMENTS

Cordillera Valley Club Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2006

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets:				
Cash and equivalents	161,726	-	-	161,726
Due from County Treasurer	1,985	-	-	1,985
Interfund balances	52,329	6,371	(58,700)	-
Accounts receivable - CVCPOA	108,628	-	-	108,628
Property tax receivable	395,968	-	-	395,968
Total Assets	720,636	6,371	-	668,307
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	43,880	-	-	43,880
Deferred property tax	395,968	-	-	395,968
Total Liabilities	439,848	-	-	439,848
Fund Balance:				
Reserved for emergencies	23,272	-	-	23,272
Reserved for prepaid expenses	52,329	-	-	52,329
Unreserved	205,187	6,371	(58,700)	152,858
Total Fund Balance	280,788	6,371	(58,700)	228,459
Total Liabilities and Fund Balance	720,636	6,371	(58,700)	

Amounts reported in the Statement of Net

Assets are different because:

Capital and other assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 673,397

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund. (178,332)

Net Assets of Governmental Activities **723,524**

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

Cordillera Valley Club Metropolitan District
Statement of Revenues, Expenditures and Changes In Fund Balance
Governmental Funds
For the Year Ended December 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	432,042	-	-	432,042
Interest	8,653	-	-	8,653
Contributions	233,530	-	190,000	423,530
Other	-	-	-	-
Total Revenues	<u>674,225</u>	<u>-</u>	<u>190,000</u>	<u>864,225</u>
Expenditures:				
General government	76,129	-	-	76,129
Public safety	239,127	-	-	239,127
Community operations	206,543	-	-	206,543
Debt service	-	29,347	-	29,347
Capital outlay	-	-	253,932	253,932
Total Expenditures	<u>521,799</u>	<u>29,347</u>	<u>253,932</u>	<u>805,078</u>
Excess (Deficiency) of Revenues Over Expenses	<u>152,426</u>	<u>(29,347)</u>	<u>(63,932)</u>	<u>59,147</u>
Other Financing Sources (Uses):				
Operating transfers in (out)	(40,000)	35,000	5,000	-
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>35,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balance	112,426	5,653	(58,932)	59,147
Fund Balance - Beginning of Year	168,362	718	232	169,312
Fund Balance - End of Year	<u>280,788</u>	<u>6,371</u>	<u>(58,700)</u>	<u>228,459</u>

Net Change in Fund Balance 59,147

Amounts reported in the Statement of Activities are different because:

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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation during the year.

258,977

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

20,256

Change in Net Assets of Governmental Activities

338,380

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

NOTES TO THE FINANCIAL STATEMENTS

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006

I. Summary of Significant Accounting Policies

Cordillera Valley Club Metropolitan District (the "District") was established on January 1, 2003 as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed primarily to finance, construct, operate, and maintain the basic public infrastructure as well as parks and recreation facilities and other improvements within the District's boundaries in Eagle County, Colorado.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The District is governed by an elected Board which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Assets, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in two parts; invested in capital assets, net of related debt and unrestricted net assets.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

The *Debt Service Fund* is used to account for the accumulation of financial resources to be used for the payment of general long-term debt principal, interest, and other related costs.

The *Capital Projects Fund* accounts for proceeds set aside and expenditures made for certain projects designated by the District's Board of Directors.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental-type activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

I. Summary of Significant Accounting Policies

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

2. Receivables

Receivables are reported net of any allowance for uncollectible accounts. No such allowance has been established as all receivables are deemed collectable.

3. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Construction in progress is not depreciated until the construction is completed.

The following assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Landscape improvements	15
Equipment	7
Vehicles	7

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

I. Summary of Significant Accounting Policies

D. Financial Statement Accounts (continued)

5. Payables and Accrued Liabilities

Payables and accrued liabilities are defined as obligations arising out of the current period that are anticipated to be liquidated with currently available financial resources.

6. Use of Estimates

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets

The governmental fund Balance Sheet includes reconciliation between *fund balance – governmental funds* and *net assets of governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains, "Capital and other assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$673,397 difference are bond issue costs of \$12,045, less accumulated amortization of \$3,513; plus capital assets of \$741,682, net of accumulated depreciation \$76,817.

Another element of that reconciliation explains, "Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$178,332 difference are as follows:

Accrued interest payable		3,002
Bonds payable:		
Current	15,024	
Non-current	<u>146,597</u>	161,621
Capital lease		
Current	6,739	
Non-current	<u>6,970</u>	<u>13,709</u>
		<u><u>178,332</u></u>

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance includes reconciliation between *net change in fund balances of governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of this reconciliation explains, "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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation during the year." The details of this \$258,977 difference are capital additions of \$287,019 less depreciation expense of \$28,042.

"The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$20,256 difference are as follows:

Bond principal payments	14,391
Lease principal payments	6,514
Adjustment to accrued interest	355
Amortization of bond issuance costs	(1,004)
Total adjustment	<u><u>\$ 20,256</u></u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary funds is adopted on a Non-GAAP budgetary basis and is reconciled to GAAP basis if necessary.

As required by Colorado statutes, the District followed the following time table in approving and enacting a budget for the ensuing years:

- (1) For the 2006 budget year, prior to August 25, 2005, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, only once by a single notification to the District.
- (2) On or before October 15, 2005, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) Prior to December 15, 2005, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed 2006 budget.
- (5) For the 2006 budget, the final budget and appropriating resolution was adopted prior to December 31, 2005.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2006 will be collected in 2006. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service, expenditure of bond proceeds and enterprise spending. The District has reserved \$23,272, which is the approximate required reserve at December 31, 2006.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

On November 5, 2002, the District's voters approved increases in debt as follows:

1. Up to \$3,000,000 and a related increase in taxes up to \$3,000,000, annually, or by such lesser annual amount as may be necessary to pay the District's debt. The debt is to be incurred for the acquisition, construction, or otherwise providing infrastructure, including but not limited to streets and related lighting, drainage, parking and landscape improvements.

The District's service plan requires that prior to the issuance of this debt, the District must obtain the approval of the owners of the lots through an election held for such purpose. This election was conducted in 2005 and the lot owners approved the issuance of this debt.
2. Up to \$1,000,000 and a related increase in taxes up to \$1,000,000, annually, or by such lesser annual amount as may be necessary to pay the District's debt. This debt is to be incurred for the acquisition, construction, or otherwise providing parks and recreation facilities, improvements and facilities.
3. Up to \$4,000,000 and a related increase in taxes up to \$4,000,000, annually, or by such lesser annual amount as may be necessary to pay the District's debt. This debt is to be incurred for the purpose of refunding, paying, or defeasing, in whole or in part, bonds, notes or other financial obligations of the District.

In addition, the District's voters approved taxes to be increased \$450,000 annually, or by such lesser amount as may be necessary to pay for the District's operations, maintenance, and other expenses. All debt and tax increases constitute voter-approved revenue changes and are to be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

IV. Detailed Notes on All Funds

A. Deposits and Investments

1. 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. The 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.

The State Regulatory Commissions 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.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

1. Deposits (continued)

At December 31, 2006, the District's cash deposits had a carrying balance and a bank balance as follows:

	2006	
	Carrying Balance	Bank Balance
Deposits	<u>2,161</u>	<u>\$ 16,801</u>

2. Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, 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
- Banker's acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

The District owned the following investments as of December 31, 2006:

	2005	
	Carrying Amount	Fair Value
Local government investment pool	<u>159,565</u>	<u>159,565</u>
	<u>\$ 159,565</u>	<u>\$ 159,565</u>

The District had invested \$159,565 in the Colorado Local Government Liquid Asset Trust ("the Trust"). The Trust is 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.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

2. Investments (continued)

Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

The Trust directly holds all repurchase agreements. The custodian's internal records identify the investments owned by the Trust. The District does not categorize its participation in the Trust because the investment is not evidenced by securities specifically identifiable to the District.

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in local government investment pools.

3. Summary of Cash Deposits and Investments

Cash deposits and investments are reflected on the December 31, 2006 Balance Sheets as follows:

	2005
Cash and cash equivalents	<u>161,726</u>
Total	<u>\$ 161,726</u>
Deposits	\$ 2,161
Local government investment pool	<u>159,565</u>
Total Cash and Cash Equivalents	<u>\$ 161,726</u>

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 167,004	125,410	-	292,414
Total capital assets being depreciated	<u>167,004</u>	<u>125,410</u>	<u>-</u>	<u>292,414</u>
Capital assets being depreciated:				
Landscape improvements	242,556	161,609	-	404,165
Equipment	17,757	-	-	17,757
Vehicles	27,346	-	-	27,346
Total capital assets being depreciated	<u>287,659</u>	<u>161,609</u>	<u>-</u>	<u>449,268</u>
Less accumulated depreciation for:				
Landscape improvements	(39,335)	(21,557)	-	(60,892)
Equipment	(3,806)	(2,537)	-	(6,343)
Vehicles	(5,634)	(3,948)	-	(9,582)
Total accumulated depreciation	<u>(48,775)</u>	<u>(28,042)</u>	<u>-</u>	<u>(76,817)</u>
Total governmental capital assets, net	<u><u>\$ 405,888</u></u>	<u><u>258,977</u></u>	<u><u>-</u></u>	<u><u>664,865</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Community operations	24,094
Public safety	3,948
Total Depreciation Expense	<u><u>\$ 28,042</u></u>

C. Interfund Receivables, Payables, and Transfers

<u>Transferred to:</u>	<u>Transferred from:</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	General	\$ 35,000	Payment of debt
Capital Projects	General	\$ 5,000	Fund capital expenditures

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt

1. Series 2003 General Obligation Bonds

On June 25, 2003 the District issued \$101,500 of general obligation bonds (the "Series 2003 Bonds") with an interest rate of 4.3%, payable annually on June 25. The principal is payable on June 25 and matures in various increments through 2015. The Series 2003 Bonds are subject to redemption prior to maturity at the option of the District upon 30 days written notice to registered bondholders at a price equal to 100% of the principal balance plus accrued interest to the date of redemption.

2. Series 2003B General Obligation Bonds

On September 24, 2003 the District issued \$101,500 of general obligation bonds (the "Series 2003a Bonds") with an interest rate of 4.5%, payable annually on September 24. The principal is payable on September 24 and matures in various increments through 2015. The Series 2003a Bonds are subject to redemption prior to maturity at the option of the District upon 30 days written notice to registered bondholders at a price equal to 100% of the principal balance plus accrued interest to the date of redemption.

3. Capital lease

The District has entered into a capital lease for the acquisition of a vehicle and equipment with a net book value of \$23,790. Future minimum lease payments under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,739	473	7,212
2008	6,970	241	7,211
Total	\$ 13,709	714	14,423

4. Annual Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	15,024	7,112	22,136
2008	15,684	6,451	22,135
2009	16,374	5,761	22,135
2010	17,096	5,040	22,136
2011	17,847	4,288	22,135
2012 - 2015	79,596	8,946	88,542
	<u>\$ 161,621</u>	<u>37,598</u>	<u>199,219</u>

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

5. Changes in Long-term Debt

The District had the following changes in debt for the year ended December 31, 2006:

	<u>January 1,</u> <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2006</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
Series 2003 G.O. Debt	\$ 87,935	-	(7,223)	80,712	7,534
Series 2003B G.O. Debt	88,077	-	(7,168)	80,909	7,490
Capital lease	20,223		(6,514)	13,709	6,739
Total	<u>\$ 196,235</u>	<u>-</u>	<u>(20,905)</u>	<u>175,330</u>	<u>21,763</u>

V. Other Information

A. Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees. The District is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. 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 and public official's coverage. 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.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

V. Other Information (continued)

A. Colorado Special Districts Property and Liability Pool (continued)

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2005 (the latest audited information available) is as follows:

Assets	<u>\$ 11,487,396</u>
Liabilities	\$ 5,476,513
Capital and surplus	<u>6,010,883</u>
Total	<u>\$ 11,487,396</u>
Revenue	\$ 6,305,838
Underwriting expenses	<u>4,710,139</u>
Underwriting gain	1,595,699
Other income	187,018
Net Income	<u>\$ 1,782,717</u>

B. Commitments and Contingencies

Cordillera Property Owners Association ("CPOA") established Cordillera Vail Club (the "Club"), which consists of a lodge located on Vail Mountain. The Club is open to residents of the District. The District has informally agreed that if the Club sustains future losses and ceases operations, the District will assume responsibility for up to 13% of ultimate losses or liability incurred upon the termination of operations. Other parties, including Cordillera Metropolitan District, CPOA, and Cordillera Valley Club Property Owners Association have agreed to assume responsibility for any remaining liability beyond the District's share of 13%. The District believes that the likelihood of the Club ceasing operations is remote.

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that there are no material outstanding claims against the District at December 31, 2005.

E. Security Services Agreement with Cordillera Valley Club Property Owners Association

The District entered into an agreement with Cordillera Valley Club Property Owners Association ("CVCPOA") on January 1, 2005 whereby the District is to provide Security Services pursuant to the Protective Covenants as set forth in the agreement. The funds necessary to provide the Security Services will be derived from the District's power to raise funds within its boundaries through fees, charges and ad valorem taxes and through contributions from CVCPOA as the parties consider necessary. The term of the agreement commenced on January 1, 2005 and terminates on December 31, 2014.

Cordillera Valley Club Metropolitan District
Notes to the Financial Statements
December 31, 2006
(Continued)

V. Other Information (continued)

F. Related Party Transactions

1. VAg, Inc. Architects and Planners

Brian Judge is a director of the District, a former director with CVCPOA, and a principal with VAg, an architectural firm that has performed significant work for both the POA and the Metro District.

CVCMD paid VAg, Inc. \$109,344 in 2006 for berm design services including the PUD amendment, etc.

CVCPOA paid VAg, Inc. \$82,538 in 2006 for DRB Services.

REQUIRED SUPPLEMENTARY INFORMATION

Cordillera Valley Club Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for 2005)

	2006			2005
	Original and Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Taxes:				
Property taxes	308,143	405,451	97,308	389,720
Specific ownership taxes	18,488	26,591	8,103	24,932
Interest	1,000	8,653	7,653	3,227
Contributions from CVCPOA	233,530	233,530	-	190,820
Other	-	-	-	1,055
Total Revenues	561,161	674,225	113,064	609,754
Expenditures:				
General Government:				
Administration and management	43,040	34,772	8,268	35,306
Office expense	3,600	3,064	536	3,683
Insurance	6,000	3,736	2,264	5,845
Professional fees	17,000	15,924	1,076	16,153
Treasurer's fees	9,244	12,185	(2,941)	11,701
Other	32,000	6,448	25,552	187
Public safety	257,440	239,127	18,313	210,414
Community operations	186,285	206,543	(20,258)	137,724
Total Expenditures	554,609	521,799	32,810	421,013
Other Financial Sources (Uses):				
Transfer to other funds	-	(40,000)	(40,000)	(42,000)
Total Other Financing Sources (Uses)	-	(40,000)	(40,000)	(42,000)
Net Change in Fund Balance	6,552	112,426	105,874	146,741
Fund Balance - Beginning of Year	35,287	168,362	133,075	21,621
Fund Balance - End of Year	41,839	280,788	238,949	168,362

SUPPLEMENTARY INFORMATION

Cordillera Valley Club Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Debt Service Fund
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for 2005)

	2006			2005
	Original and Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Property taxes	97,308	-	(97,308)	-
Specific ownership taxes	5,839	-	(5,839)	-
Total Expenditures	103,147	-	(103,147)	-
Expenditures:				
Debt service:				
Principal	88,831	20,905	67,926	20,081
Interest	9,266	8,442	824	9,266
Total Expenditures	98,097	29,347	68,750	29,347
(Deficiency) of Revenues Over Expenses	(98,097)	(29,347)	68,750	(29,347)
Other Financial Sources:				
Transfer from General Fund	-	35,000	35,000	30,000
Total Other Financing Sources	-	35,000	35,000	30,000
Net Change in Fund Balance	(98,097)	5,653	103,750	653
Fund Balance - Beginning of Year	718	718	-	65
Fund Balance - End of Year	(97,379)	6,371	103,750	718

Cordillera Valley Club Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Capital Projects Fund
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for 2005)

	2006			2005
	Original and Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Contributions	110,000	190,000	80,000	130,000
Total Revenues	<u>110,000</u>	<u>190,000</u>	<u>80,000</u>	<u>130,000</u>
Expenditures:				
Capital outlay	2,541,000	253,932	2,287,068	124,920
Total Expenditures	<u>2,541,000</u>	<u>253,932</u>	<u>2,287,068</u>	<u>124,920</u>
(Deficiency) of Revenues Over Expenses	(2,431,000)	(63,932)	2,367,068	5,080
Other Financial Sources (Uses):				
Proceeds from debt	(2,500,000)	-	2,500,000	-
Transfer from General Fund	-	5,000	5,000	12,000
Total Other Financing Sources (Uses)	<u>(2,500,000)</u>	<u>5,000</u>	<u>2,505,000</u>	<u>12,000</u>
Net Change in Fund Balance	(4,931,000)	(58,932)	4,872,068	17,080
Fund Balance - Beginning of Year	232	232	-	(16,848)
Fund Balance - End of Year	<u>(4,930,768)</u>	<u>(58,700)</u>	<u>4,872,068</u>	<u>232</u>

Cordillera Valley Club Metropolitan District
Schedule of Debt Service Requirements to Maturity
December 31, 2006

Bonds and Interest Maturing in the Year Ending December 31,	\$101,500			\$101,500			Total		
	Series 2003 General Obligation Bonds Interest Rate of 4.3%			Series 2003a General Obligation Bonds Interest Rate of 4.3%			Principal	Interest	Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	7,534	3,471	11,005	7,490	3,641	11,131	15,024	7,112	22,136
2008	7,857	3,147	11,004	7,827	3,304	11,131	15,684	6,451	22,135
2009	8,195	2,809	11,004	8,179	2,952	11,131	16,374	5,761	22,135
2010	8,548	2,456	11,004	8,548	2,584	11,132	17,096	5,040	22,136
2011	8,915	2,089	11,004	8,932	2,199	11,131	17,847	4,288	22,135
2012	9,299	1,706	11,005	9,334	1,797	11,131	18,633	3,503	22,136
2013	9,698	1,306	11,004	9,754	1,377	11,131	19,452	2,683	22,135
2014	10,116	889	11,005	10,193	938	11,131	20,309	1,827	22,136
2015	10,550	454	11,004	10,652	479	11,131	21,202	933	22,135
Total	80,712	18,327	99,039	80,909	19,271	100,180	161,621	37,598	199,219

Cordillera Valley Club Metropolitan District
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected
December 31, 2006

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2004	15,613,190	25	390,330	389,677	99.8%
2005	15,588,790	25	389,720	389,720	100.0%
2006	16,218,050	25	405,451	405,451	100.0%
2007	15,838,730	25	395,968		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.