

Waterfall Metropolitan District

December 29, 2010

Via email: dlg-filing@state.co.us

Mr. Jarrod Biggs
Colorado Division of Local Government
1313 Sherman Street, Room 521
Denver, CO 80203

RE: Waterfall Metropolitan District No. 1 2011 Budget and 2010 Amended Budget

Dear Mr. Biggs:

Attached are true and accurate copies of the adopted 2011 budget and amended 2010 budget for the Waterfall Metropolitan District No. 1 in Larimer County, Colorado, submitted pursuant to C.R.S. Section 29-1-113. The budget was adopted on November 15, 2010.

If there are any questions, please contact our office at (970) 669-3611.

Sincerely,
WATERFALL METROPOLITAN DISTRICT NO. 1



Pinnacle Consulting Group Inc.
Accounting Manager

Enc.

Managed by Pinnacle Consulting Group, Inc.
5110 Granite Street, Suite C
Loveland, CO 80538
Phone: (970) 669-3611 * Fax: (970) 669-3612



Accountant's Report

BOARD OF DIRECTORS
WATERFALL METROPOLITAN DISTRICT NO. 1

I have compiled the accompanying amended budget of revenue, expenditures and funds available prepared on the modified accrual basis of the Waterfall Metropolitan District No. 1 for the year ending December 31, 2010 and the forecasted budget of revenue, expenditures and funds available prepared on the modified accrual basis of the Waterfall Metropolitan District No. 1 for the year ending December 31, 2011 in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation of a forecasted financial statement is limited to presenting in the form of a forecast, information that is the representation of management of the District and does not include evaluation of the support for the assumptions underlying the forecast. I have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying forecasted statement or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. I have no responsibility to update this report for events or circumstances occurring after the date of this report.

The Governmental Accounting Standards Board requires the presentation of a balance sheet, a statement of operations and accumulated fund balance and a statement of cash flows and related full disclosure footnotes for the financial statements to be in compliance with generally accepted accounting principles. Management does not require complete financial statements to manage the affairs of the District on a monthly basis and has determined not to include the above statements and full disclosure footnotes. Consequently, as presented, the financial statements are not in conformity with generally accepted accounting principles.

I am not independent with respect to the Waterfall Metropolitan District No. 1.

A handwritten signature in blue ink, appearing to read "Peggy Dowswell", is written over the typed name.

Peggy Dowswell, CPA
December 29, 2010

WATERFALL METROPOLITAN DISTRICT NO.1

2011 BUDGET MESSAGE

Waterfall Metropolitan District No.1 is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act, and was formed in May 2008. The District was established as part of a “Multiple District Structure” for the community located in the City of Loveland, Colorado. Along with its companion District No. 2, this District was organized to provide financing for the design, acquisition, construction and installation of street and roadway improvements; street landscaping, signage, monuments, and lighting; safety protection; park and recreation improvements; and sanitation and storm drainage; and to provide the operation and maintenance of these improvements.

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

The following budget is prepared on the modified accrual basis of accounting, which is consistent with the basis of accounting used in presenting the District's financial statements.

2011 BUDGET STRATEGY

The District's strategy in preparing the 2011 budget is to strive to provide the level of street, safety, drainage, and park and recreational services as desired by the property owners and residents of the Multiple Districts in the most economic manner possible. In the General Fund the District has budgeted total revenue of \$80,500 which is in the form of O&M Fees, and expenditures consist of administrative and operations costs of \$80,500. In the Debt Service Fund the District has budgeted \$64,285 in revenues from property taxes, specific ownership, and service fees from District No. 2 and expenditures consist of \$64,285 for debt service expenses.