



BUTTERMILK METROPOLITAN DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

May 28, 2010

The Board of Directors
Buttermilk Metropolitan District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Buttermilk Metropolitan District as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Buttermilk 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, the business-type activities, and each major fund of Buttermilk Metropolitan District, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective 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 management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Buttermilk Metropolitan District basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009

The Buttermilk Metropolitan District (the "District") was approved by voters on November 7, 2000, and formally organized by judicial decree on August 23, 2001 for the purpose of providing certain public infrastructure and municipal services for the benefit of the residents and property owners within the District. The District is located within Pitkin County, Colorado. The District serves the West Buttermilk Subdivision and Pfister tracts, which are both adjacent to the Buttermilk Ski Area, as well as East Owl Creek and Owl Creek Ranch. These areas include a mix of existing homes and vacant lots.

The management's discussion and analysis of the Buttermilk Metropolitan District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2009 are as follows:

- In total, the District's overall net assets increased approximately \$117,000 or about 7.5% over the prior fiscal year. This was primarily due to an increase in the overall cash position in both the Water (Enterprise) Fund and the Road (Government) Fund.
- Total revenues decreased by approximately \$74,000, or about 8%, compared to the previous fiscal year. Charges for services (water and road revenues) decreased by \$23,000 or 14%, primarily due to a decrease in Road heavy vehicle use fees collected in 2009 compared to 2008. Interest earnings decreased in 2009 by approximately 60% compared to 2008, primarily due to the significant reduction in interest rates in 2009. There were no capital contributions (water tap fees collected) in 2009, which decreased overall revenues by \$58,000 compared to 2008. A \$23,000 increase in tax revenues in 2009 over 2008 helped offset these revenue decreases.
- The District's overall expenses increased by approximately \$4,000, or less than 1%, compared to the prior fiscal year. This is primarily due to an increase in capital outlay for various capital projects in both the Road and Water Funds, which was offset by a decrease in debt service interest and County treasurer's fees.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader's understanding of the financial statements.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009

Government-wide Statements

The government-wide statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information about the District as a whole and include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. The District's net assets – the difference between assets and liabilities – are one way to measure the District's financial health, or *financial position*. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two kinds of activities:

- *Governmental activities* – The activity of the District's Road Fund is reported here, including interest and principal paid on outstanding bonds. Property taxes, specific ownership taxes, and interest income finance most of these activities.
- *Business-type activities* – The activity of the District's Water Enterprise is reported here, including interest and principal paid on outstanding bonds. Property taxes, specific ownership taxes, water usage charges, and interest income finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant funds – not the District as a whole. The District's funds – governmental and proprietary – use different accounting approaches.

Governmental fund – The General (Road) Fund's activity is reported as a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the Enterprise (Water) Fund charges users for the services it provides, these services are reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise fund is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009

Further discussion of the fund financial statements begins in the Section entitled "The District's Funds."

THE DISTRICT AS A WHOLE

Statement of Net Assets

The perspective of the Statement of Net Assets is of the District as a whole. Both the governmental activities (Road Fund) and the business-type activities (Water Fund) are presented, along with a total of the two, which represents the total primary government. Following is a summary of the District's net assets for the fiscal year 2009 compared to 2008:

<i>IN THOUSANDS</i>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
ASSETS:						
Current & Other Assets	\$ 488	\$ 494	\$ 1,008	\$ 997	\$ 1,496	\$ 1,491
Capital Assets, Net	<u>714</u>	<u>725</u>	<u>3,492</u>	<u>3,571</u>	<u>4,206</u>	<u>4,296</u>
Total Assets	<u>1,202</u>	<u>1,219</u>	<u>4,500</u>	<u>4,568</u>	<u>5,702</u>	<u>5,787</u>
LIABILITIES:						
Current & Other Liabilities	224	233	491	490	715	723
Long-term Debt - Current	43	41	162	154	205	195
Long-term Debt - Non-current	<u>654</u>	<u>697</u>	<u>2,451</u>	<u>2,613</u>	<u>3,105</u>	<u>3,310</u>
Total Liabilities	<u>921</u>	<u>971</u>	<u>3,104</u>	<u>3,257</u>	<u>4,025</u>	<u>4,228</u>
NET ASSETS (DEFICIT):						
Invested in Capital Assets, Net of Related Debt	17	(13)	879	804	896	791
Restricted for Emergencies	4	4	9	11	13	15
Unrestricted (Deficit)	<u>259</u>	<u>257</u>	<u>508</u>	<u>496</u>	<u>767</u>	<u>753</u>
Total Net Assets	<u>\$ 280</u>	<u>\$ 248</u>	<u>\$ 1,396</u>	<u>\$ 1,311</u>	<u>\$ 1,676</u>	<u>\$ 1,559</u>

Total Assets decreased by approximately \$85,000 from 2008 to 2009, primarily due to a decrease in capital assets, net of depreciation.

Total Liabilities decreased approximately \$203,000 from 2008 to 2009, primarily due to a decrease in long-term debt in the amount of \$205,000, which is offset by an increase in current liabilities of approximately \$2,000.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009

Total Net Assets for the District reflect an overall increase of approximately \$117,000 from 2008 to 2009. This results from a \$32,000 increase in governmental activities (Road Fund) and an \$85,000 increase in the business-type activities (Water Fund). The amount reported as *Invested in Capital Assets, Net of Related Debt* is computed by adding Capital Asset costs (net of depreciation and amortization) and subtracting the outstanding bonds that were used to purchase the capital improvements.

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The Statement of Activities reflects general property taxes and service revenues and the cost of providing services to the District. The following summary reflects the overall change in net assets for the fiscal year 2009 compared to 2008:

<i>IN THOUSANDS</i>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES:						
Charges for Services	\$ 3	\$ 24	\$ 137	\$ 139	\$ 140	\$ 163
Property & Ownership Taxes	213	195	457	452	670	647
Capital Contributions	-	-	-	58	-	58
Interest Earnings & Other	7	11	4	16	11	27
Transfers In (to Water Fund)	-	-	-	-	-	-
Total Revenues	<u>223</u>	<u>230</u>	<u>598</u>	<u>665</u>	<u>821</u>	<u>895</u>
EXPENSES:						
Operations/Maintenance	83	107	152	152	235	259
Prof. Fees & Admin	22	25	61	60	83	85
County Treasurer's Fees	10	8	22	22	32	30
Capital Outlay	12	-	26	-	38	-
Amortization & Depreciation	24	23	104	104	128	127
Interest & Fiscal Charges	40	42	148	157	188	199
Transfers Out (of Road Fund)	-	-	-	-	-	-
Total Expenses	<u>191</u>	<u>205</u>	<u>513</u>	<u>495</u>	<u>704</u>	<u>700</u>
INCREASE (DECREASE)						
IN NET ASSETS	<u>\$ 32</u>	<u>\$ 25</u>	<u>\$ 85</u>	<u>\$ 170</u>	<u>\$ 117</u>	<u>\$ 195</u>

Overall revenues decreased by approximately \$74,000, or 8%, from 2008 to 2009. Property and specific ownership tax revenues increased by \$23,000, primarily due to an increase in property taxes. However, charges for road services (road heavy vehicle use fees) decreased by \$21,000, charges for water services (water utilities) decreased by \$2,000, and capital contributions (water tap fees) decreased by \$58,000. Interest earnings decreased by \$15,000 due to the significant reduction in interest rates as a result of the downturn in the U.S. economy.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009

Overall expenses in 2009 increased by approximately \$4,000 compared to 2008. This is primarily due to a \$38,000 increase in 2009 capital outlay costs associated with guardrail installation, improvements to West Buttermilk Road, improvements to well number one, the installation of a storage unit at the water tank and various valve boxes, the completion of the six-inch meter at East Owl Creek Ranch, and evaluative work on the District's water supply. Some of these capital costs have been depreciated in 2009 (such as the guardrails) and the full expenditure of the asset will not appear on the Statement of Activities.

Governmental Activities

The operation of the Road Fund is defined as the governmental activity of the District. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The dependence on taxes and other general revenues to fund current program costs is apparent from the foregoing table. The residential community, as a whole, is the primary support for the District's governmental activities.

Business-Type Activities

The operations of the Water Fund are defined as the business-type activity of the District. Operations are supported by property taxes, water fees for usage, and other general revenues. 2009 was the fourth year water usage was billed for twelve months.

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 (Road) Fund

Gross General Fund (Road Fund) revenues were \$223,882, which reflects \$213,478 from property taxes and specific ownership taxes received in 2009. Other contributors to Road Fund revenues were Road Heavy Vehicle Use Fees of \$3,244, \$5,000 collected from Aspen Skiing Company for its share of snow removal costs on West Buttermilk Road, and interest earnings of \$2,009.

General Fund (Road Fund) expenditures of \$219,971 in 2009 reflect a decrease of \$2,935 over the 2008 total of \$222,906. Operational cost decreases in snow removal of \$26,000 over 2008 were offset by capital outlay increases of \$23,000 over 2008, to account for this \$2,935 decrease. As of the end of 2009, the District's governmental fund reported an ending fund balance of \$245,378, reflecting an increase of \$3,911 (or 1.6%) over the 2008 fund balance. This increase in the fund balance results from realizing more revenues than expenses in 2009. The ending fund balance of \$245,378 is the amount of net resources available for future spending in the Road (Governmental) Fund.

Proprietary (Water) Fund

The ending net assets of the Proprietary Fund increased from \$1,311,225 to \$1,395,956 (for a total increase of \$84,731) during the fiscal year ending December 31, 2009. Current assets, consisting primarily of cash, investments, and receivables, increased approximately \$18,700 in 2009. This is primarily due to an increase in investments and unspent capital contributions.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009

In the Proprietary Fund, total operating revenues from water usage charges and corresponding miscellaneous fees were \$137,053, a decrease of \$2,630 compared to 2008. Non-operating revenues, consisting of property and specific ownership taxes, water tap fees, and interest income decreased by \$64,952 compared to 2008, for a total of \$460,396. This is primarily due to a significant drop in interest income in 2009, as well as no revenues in the form of tap fees in 2009 compared to \$58,000 in tap fees collected in 2008. The Proprietary Fund's operating expenses (excluding depreciation, amortization, and capital outlay) totaled \$213,191 in 2009, reflecting an increase of \$3,356, or 1.7% over 2008, primarily due to an increase in Engineering costs associated with the examination of water rights and possible water resources for the District. Non-operating expenses, consisting of capital outlay, interest and other fiscal charges, increased \$35,127 over 2008, due to an increase in capital expenditures on various water projects in 2009. The Proprietary Fund Statement of Cash Flows on page 16 indicates an ending cash balance of \$461,271 available for future spending in the Proprietary (Water) Fund.

BUDGET VARIANCES

Governmental (Road) Fund

Total revenues in the Road Fund exceeded budget expectations by \$898. Operating expenditures were \$38,663, or 15%, less than budgeted, although a very slight budget overage (\$99) occurred in the area of road maintenance. Budget savings were realized in the areas of management, accounting, engineering, insurance, legal, miscellaneous, contingency, and capital outlay. A budget-to-actual statement for the General Fund can be found on page 13 of this report.

Proprietary (Water) Fund

Water Usage charges (revenues) totaled \$137,053, or 19% more than budgeted. Non-operating Revenues, consisting of property taxes, specific ownership taxes, tap fees, and interest income, came in below budget by \$5,423, or 1.2%, due to not realizing the budgeted interest earnings on ColoTrust investments. Overall, Proprietary Fund revenues – operating plus non-operating – exceeded the budget by \$16,380. Operating and non-operating expenses, as a whole, came in under budget by \$113,268, or 16%. Budget savings were realized in the areas of management, operations & maintenance, accounting & legal, insurance, capital project costs, contingency, and miscellaneous expenses. A slight budget overage occurred in the area of engineering (\$918). A summary of budget to actual expenses for the Proprietary Fund can be found on page 28 of this report.

CAPITAL ASSETS

The District's net capital assets decreased by \$78,851 in business-type activities and decreased by \$10,703 in governmental activities. These decreases are primarily due to current-year depreciation. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 24 of this report.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2009

DEBT ADMINISTRATION

Currently the District has \$3,310,000 in General Obligation Bonds, of which \$697,140 is carried in governmental activities (Road Fund) and \$2,612,860 is carried in the business-type activities (Water Fund) of the District. The bonds were issued in 2002 to finance the construction of a potable water system and accompanying road improvements. Debt service payments, due June 1st and December 1st, are allocated in the same proportions as the bond principal. The final maturity date is December 1, 2021.

REQUEST FOR INFORMATION

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the:

Buttermilk Metropolitan District Manager
c/o Beach Resource Management, LLC
711 E. Valley Road, Suite 103
Basalt, CO 81621
Telephone: (970) 273-3100
Fax: (970) 237-3105

Buttermilk Metropolitan District

STATEMENT OF NET ASSETS

December 31, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 259,412	\$ 461,271	\$ 720,683
Receivables			
Property taxes	206,782	442,426	649,208
Accounts receivable	-	22,144	22,144
Prepaid expenses	-	1,779	1,779
Capital assets (net of accumulated depreciation)			
Capital assets	714,077	3,492,154	4,206,231
Other assets (net of accumulated amortization)			
Bond issuance costs	13,951	52,315	66,266
Organization costs	7,402	27,850	35,252
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,201,624</u>	<u>\$ 4,499,939</u>	<u>\$ 5,701,563</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 14,034	\$ 36,807	\$ 50,841
Accrued interest payable	3,328	11,890	15,218
Deferred revenue	206,782	442,426	649,208
Non-current liabilities, due within one year			
Bonds payable	43,158	161,842	205,000
Non-current liabilities, due after one year			
Bonds payable	653,982	2,451,018	3,105,000
Total Liabilities	<u>921,284</u>	<u>3,103,983</u>	<u>4,025,267</u>
Net assets			
Invested in capital assets, net of related debt	16,937	879,294	896,231
Restricted for emergencies	4,293	8,857	13,150
Unrestricted	259,110	507,805	766,915
Total Net Assets	<u>280,340</u>	<u>1,395,956</u>	<u>1,676,296</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 1,201,624</u>	<u>\$ 4,499,939</u>	<u>\$ 5,701,563</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2009

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 152,093	\$ 3,244	\$ -	\$ -	\$ (148,849)	\$ -	\$ (148,849)
Interest on long-term debt	39,545	-	-	-	(39,545)	-	(39,545)
Total governmental activities	191,638	3,244	-	-	(188,394)	-	(188,394)
Business-type activities:							
Water	512,718	137,053	-	-		(375,665)	(375,665)
Total business-type activities	512,718	137,053	-	-	(188,394)	(375,665)	(375,665)
Total	\$ 704,356	\$ 140,297	\$ -	\$ -			(564,059)
General revenues:							
Property taxes					213,478	456,855	670,333
Interest earnings					2,009	3,541	5,550
Miscellaneous					5,151	-	5,151
Total general revenues					220,638	460,396	681,034
Change in net assets					32,244	84,731	116,975
Net assets - beginning					248,096	1,311,225	1,559,321
Net assets - ending					\$ 280,340	\$ 1,395,956	\$ 1,676,296

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2009

	General	Total Governmental Funds
ASSETS		
Equity in pooled cash and investments	\$ 259,412	\$ 259,412
Receivables		
Property taxes	206,782	206,782
Total Assets	\$ 466,194	\$ 466,194
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$ 14,034	\$ 14,034
Deferred property taxes	206,782	206,782
Total Liabilities	220,816	220,816
Fund equity		
Reserved for emergencies	4,293	4,293
Unreserved	241,085	241,085
Total Fund Equity	245,378	245,378
Total Liabilities and Fund Equity	\$ 466,194	\$ 466,194
Fund equity (as reported above)		\$ 245,378
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, are not financial resources, and therefore, are not reported in the fund.		714,077
Bond issuance and organizational costs, net of accumulated amortization, are not financial resources, and therefore, are not reported in the fund.		21,353
Long-term debt is not due and payable in the current period, and therefore, is not reported in the fund.		(697,140)
Accrued interest is not due and payable the current period, and therefore, is not reported in the fund.		(3,328)
Net assets of governmental activities		\$ 280,340

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2009

	General	Total Governmental Funds
Revenues		
Taxes	\$ 213,478	\$ 213,478
Interest	2,009	2,009
Road fees	3,244	3,244
Miscellaneous	5,151	5,151
Total revenues	<u>223,882</u>	<u>223,882</u>
Expenditures		
General government	115,796	115,796
Debt service		
Principal	40,950	40,950
Interest	39,838	39,838
Capital outlay	23,387	23,387
Total expenditures	<u>219,971</u>	<u>219,971</u>
Excess of Revenues Over (Under) Expenditures	3,911	3,911
Fund Balance - beginning	241,467	241,467
Fund Balance - ending	<u>\$ 245,378</u>	<u>\$ 245,378</u>

Net change in fund balance (above) \$ 3,911

Amounts reported for governmental activities 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. This is the amount by which current year depreciation exceeded current year capital asset additions. (\$21,648 less \$10,945)	(10,703)
Government funds report debt issuance and organization costs as expenditures; however, in the Statement of Activities, the costs are amortized over various periods and reported as amortization expense.	(2,208)
Change in accrued interest on long-term debt is not recorded in the funds.	294
Governmental funds report payments on long-term debt as expenditures, but are reported as a reduction in long-term debt in the Statement of Net Assets.	40,950
Change in net assets of governmental activities	<u>\$ 32,244</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 206,781	\$ 206,781	\$ 206,786	\$ 5
Specific ownership taxes	6,203	6,203	6,692	489
Interest earnings	5,000	5,000	2,009	(2,991)
Road fees	-	-	3,244	3,244
Miscellaneous income	5,000	5,000	5,151	151
Total revenues	<u>222,984</u>	<u>222,984</u>	<u>223,882</u>	<u>898</u>
Expenditures				
Management fees and office	14,250	14,250	8,770	5,480
Accounting and auditing	10,635	10,635	8,302	2,333
Engineering	3,500	3,500	1,463	2,037
Insurance	2,982	2,982	2,680	302
Legal	3,000	3,000	969	2,031
Repairs and maintenance	83,002	83,002	83,101	(99)
Treasurer fees	10,339	10,339	10,348	(9)
Miscellaneous	5,871	5,871	163	5,708
Interest expense	39,838	39,838	39,838	-
Debt service principal	40,950	40,950	40,950	-
Contingency	13,017	13,017	-	13,017
Capital outlay	31,250	31,250	23,387	7,863
Total expenditures	<u>258,634</u>	<u>258,634</u>	<u>219,971</u>	<u>38,663</u>
Excess of Revenues Over (Under) Expenditures	(35,650)	(35,650)	3,911	39,561
Fund balance, beginning	<u>241,969</u>	<u>241,969</u>	<u>241,467</u>	<u>(502)</u>
Fund balance, ending	<u>\$ 206,319</u>	<u>\$ 206,319</u>	<u>\$ 245,378</u>	<u>\$ 39,059</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF NET ASSETS - PROPRIETARY FUND

December 31, 2009

ASSETS	
Current assets	
Cash and cash equivalents	\$ 461,271
Receivables	
Accounts receivable	22,144
Property taxes	442,426
Prepaid expenses	1,779
Total current assets	<u>927,620</u>
Noncurrent assets	
Bond issuance and organization costs, net of amortization	80,165
Capital assets, net of depreciation	<u>3,492,154</u>
Total assets	<u>\$ 4,499,939</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 36,807
Deferred property taxes	442,426
Accrued interest payable	11,890
Current portion of bonds payable	161,842
Total current liabilities	<u>652,965</u>
Bonds payable, less current portion	2,451,018
Total liabilities	<u>3,103,983</u>
Net assets	
Invested in capital assets, net of related debt	879,294
Restricted for emergencies	8,857
Unrestricted	507,805
Total net assets	<u>1,395,956</u>
Total liabilities and net assets	<u>\$ 4,499,939</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND

Year ended December 31, 2009

	Business-type Activities- Enterprise Fund
Operating revenues	
Water service charges	\$ 131,126
Miscellaneous income	5,927
Total operating revenues	137,053
Operating expenses	
Operations and maintenance	115,665
Airport impact costs/well field	6,726
Depreciation and amortization	103,655
Management fees	16,443
Accounting	8,302
Water quality testing	4,674
Utilities	15,053
Legal fees	22,731
Water augmentation	7,054
Insurance	2,680
Engineering	10,918
Miscellaneous expenses	2,945
Capital outlay	25,592
Total operating expenses	342,438
Operating income (loss)	(205,385)
Nonoperating revenues (expenses)	
Taxes	456,855
Interest income	3,541
Treasurer fees	(22,103)
Interest expense	(148,177)
Total nonoperating revenues (expenses)	290,116
Change in net assets	84,731
Net assets - beginning	1,311,225
Net assets - ending	\$ 1,395,956

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Year ended December 31, 2009

	Business-type Activities- Enterprise Fund
Cash flows from operating activities	
Cash received from customers and users	\$ 134,009
Cash paid to suppliers	(236,211)
Other miscellaneous receipts	5,927
Net cash provided (used) by operating activities	(96,275)
Cash flows from non-capital financing activities	
Property taxes	456,855
Treasurer fees	(22,103)
Net cash provided (used) by non-capital financing activities	434,752
Cash flows from capital and related financing activities	
Purchase of capital assets	(16,513)
Interest paid	(149,868)
Principal payments on long-term debt	(154,050)
Net cash provided (used) by capital and related financing activities	(320,431)
Cash flow from investing activities	
Investment income received	3,541
Net cash provided (used) by investing activities	3,541
Net increase (decrease) in cash	21,587
Cash - beginning	439,684
Cash - ending	\$ 461,271
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (205,385)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	103,655
(Increase) decrease in accounts receivable	2,882
(Increase) decrease in prepaid expenses	(62)
Increase (decrease) in accounts payable	2,635
Total adjustments	109,110
Net cash provided (used) by operating activities	\$ (96,275)

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Buttermilk Metropolitan District (the “District”) was approved by voters on November 7, 2000, and formally organized by judicial decree on August 23, 2001. The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized pursuant to the requirements of the Special District Act. The District was formed to provide certain public infrastructure and municipal services for the benefit of the residents and property owners within the District. The District is located within Pitkin County, Colorado. The District serves the West Buttermilk Subdivision, Eagle Pines, and the Pfister tracts, which are adjacent to the Buttermilk Ski Area, as well as East Owl Creek Ranch and Owl Creek Ranch. These areas include a mix of existing homes and vacant lots. The governing body of the District is elected by the registered voters within the District and consists of a five-member board of directors. The District has no employees and all operations and administrative functions are contracted.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

2. Reporting Entity

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

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. 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. Currently, the District has governmental and business-type activities.

Government-wide Financial Statements

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

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.

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.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has one General Fund, which is a governmental fund, and one Water Fund, which is a proprietary fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The General Fund fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Proprietary Fund

Enterprise Fund – The Enterprise Fund accounts for operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the District has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Operating revenues and expenses for enterprise funds are those that result from providing services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989, are not applied.

For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

5. Measurement Focus and Basis of Accounting

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.

Long-Term Economic Focus and Accrual Basis

Governmental 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.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial resources 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 long-term debt, if any, is recognized when due.

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

The accrual basis of accounting is utilized in the proprietary fund type. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense and expenditures for property and equipment are shown as increases in assets.

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.

7. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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 budget for the governmental fund is adopted on a basis consistent with generally accepted accounting principles (“GAAP”). The budget for the proprietary fund is adopted on the budgetary basis of accounting, which differs from the GAAP basis in that depreciation and amortization are excluded from expenditures, and outlays for the acquisition of capital assets and debt service principal are included as expenditures.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

As required by Colorado statutes, the District followed the timetable below in approving and enacting the budgets for the ensuing year:

- (1) For the 2009 budget year, prior to August 25, 2008, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2008, 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.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2009 budget, prior to December 15, 2008, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2009 budget, the final budget and appropriating resolution was adopted prior to December 31, 2008.
- (6) 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 those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

For the year ended December 31, 2009, the District's original budget was appropriated at \$258,634 and \$692,894 for the General Fund and Proprietary Fund, respectively. The District did not have any supplemental appropriation for 2009.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Road system	40 years
Water system	40 years

9. Property Taxes

Property taxes for 2009, collectible in 2010, were certified by the Pitkin County Commissioners before December 31, 2009. Property taxes attached as an enforceable lien on January 1, 2010 and are due in total April 30, 2010 or in equal installments February 28, 2010 and June 15, 2010, at the option of the taxpayer. Property taxes for 2009, collectible in 2010, are shown as property taxes receivable and deferred revenue on the statement of net assets in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

10. Accounts Receivable

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

11. Bond Issuance and Organization Costs

Bond issuance costs are amortized using the straight-line method, which approximates the interest method, over the life of the bonds. Organization costs are amortized using the straight-line method over 15 years. Accumulated amortization amounted to \$17,511 in the General Fund and \$65,766 in the Proprietary Fund at December 31, 2009.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE B – CASH AND INVESTMENTS

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets as "Equity in pooled cash and investments."

Deposits

At year-end, the carrying amount of the District's cash deposits was \$42,012 and the bank balance was \$42,012. The bank balance was covered by federal depository insurance.

Statutes require that any public depository which accepts and holds public funds maintain, as security for public deposits accepted and held by it, not insured by federal depository insurance, eligible collateral having a market value, at all times, equal to at least 102 percent of the amount of public deposits. Banking institutions are monitored by the State of Colorado Banking Commission and must report monthly on all public deposits held. Pledged collateral must be held in joint custody of the bank and of the Public Deposit Protection Act in a safekeeping account held by a third party, usually the Federal Reserve Bank. The pledged collateral cannot be released unless approval is obtained by the banking commission. Savings and Loan institutions are monitored by the State of Colorado Commissioner of Savings and Loan Associations and must report quarterly on all public deposits held. Pledged collateral, usually in the form of mortgages, must be held by a third party institution for the benefit of the commissioner.

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in their name, or in custody of a third party on behalf of the local government.

The District had invested \$678,671 in the Colorado Local Government Liquid Asset Trust, (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE B – CASH AND INVESTMENTS – CONTINUED

A reconciliation of the carrying value of deposits and investments reported above to the Statement of Net Assets is as follows:

Deposits	\$ 42,012
Investments	<u>678,671</u>
Total equity in pooled cash and investments	<u>\$ 720,683</u>

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 12/31/08	Additions	Dispositions	Balance 12/31/09
Governmental activities				
Road system	\$ 822,148	\$ 10,945	\$ –	\$ 833,093
Less: accumulated depreciation	<u>(97,368)</u>	<u>(21,648)</u>	<u>–</u>	<u>(119,016)</u>
Governmental activities capital assets, net	<u>\$ 724,780</u>	<u>\$ (10,703)</u>	<u>\$ –</u>	<u>\$ 714,077</u>
Business-type activities				
Capital assets not being depreciated				
Water rights	\$ 54,891	\$ –	\$ –	\$ 54,891
Land	<u>83,598</u>	<u>–</u>	<u>–</u>	<u>83,598</u>
Total capital assets not being depreciated	138,489	–	–	138,489
Capital assets being depreciated				
Water system	3,814,536	16,513	–	3,831,049
Less: accumulated depreciation	<u>(382,020)</u>	<u>(95,364)</u>	<u>–</u>	<u>(477,384)</u>
Total capital assets being depreciated	<u>3,432,516</u>	<u>(78,851)</u>	<u>–</u>	<u>3,353,665</u>
Business-type activities capital assets, net	<u>\$ 3,571,005</u>	<u>\$ (78,851)</u>	<u>\$ –</u>	<u>\$ 3,492,154</u>

All governmental activity depreciation is allocated to the general government function.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE D – LONG-TERM OBLIGATIONS

A summary of the District's Long-term Debt Obligations follows:

	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/09</u>	Amounts Due Within <u>One Year</u>
General Obligation Bonds:					
Governmental activities	\$ 738,090	\$ –	\$ 40,950	\$ 697,140	\$ 43,158
Business-type activities	<u>2,766,910</u>	<u>–</u>	<u>154,050</u>	<u>2,612,860</u>	<u>161,842</u>
Total	<u>\$ 3,505,000</u>	<u>\$ –</u>	<u>\$ 195,000</u>	<u>\$ 3,310,000</u>	<u>\$ 205,000</u>

General Obligation Bonds in the face amount of \$4,750,000 were issued with a date of February 15, 2002. The interest rate varies from 2.0% to 5.75% payable semi-annually on June 1 and December 1. Principal is due and payable on December 1. Final maturity date is December 1, 2021. Proceeds from the bond sale were split by the Funds so that \$1,000,000 was assigned to the General Fund and \$3,750,000 to the Enterprise (Water) Fund. Subsequent debt service payments will be allocated to the Funds in the same proportion as the bond issue proceeds.

The annual requirements to amortize the bonded outstanding debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 205,000	\$ 180,735	\$ 385,735
2011	215,000	170,895	385,895
2012	225,000	160,360	385,360
2013	240,000	149,110	389,110
2014	250,000	136,870	386,870
2015-2019	1,465,000	464,559	1,929,559
2020-2021	<u>710,000</u>	<u>61,812</u>	<u>771,812</u>
	<u>\$ 3,310,000</u>	<u>\$ 1,324,341</u>	<u>\$ 4,634,341</u>

NOTE E – COMMITMENTS AND CONTINGENCIES

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, 2009.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE F – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2008 (the latest audited information available) is as follows:

Assets	<u>\$ 27,093,162</u>
Liabilities	\$ 10,778,248
Net Assets	<u>16,314,914</u>
	<u>\$ 27,093,162</u>
Revenue	\$ 9,960,770
Investment income and other	<u>800,122</u>
Total revenue	10,760,892
Expenses	<u>9,481,122</u>
Excess of revenues over expenses	<u>\$ 2,733,727</u>

NOTE G – 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 which 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 of the prior year, extension of any expiring tax, or tax policy change directly causing a new 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 or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE G – TABOR AMENDMENT – CONTINUED

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2009, a reserve of \$4,293 was required for the General Fund and \$8,857 was required for the Enterprise (Water) Fund.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. The District's first year of operations ended December 31, 2003. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In 2000 the District's electorate voted to allow the District to collect, retain, and expend revenues notwithstanding any of TABOR's restrictions.

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.

SUPPLEMENTAL INFORMATION

Buttermilk Metropolitan District

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - PROPRIETARY FUND

Year ended December 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Operating revenues				
Water service charges	\$ 115,000	\$ 115,000	\$ 131,126	\$ 16,126
Miscellaneous income	250	250	5,927	5,677
Total operating revenues	115,250	115,250	137,053	21,803
Operating expenses				
Operations and maintenance	150,325	150,325	149,172	1,153
Management fees and office	27,250	27,250	16,443	10,807
Accounting and auditing	10,635	10,635	8,302	2,333
Legal	25,000	25,000	22,731	2,269
Insurance	2,785	2,785	2,680	105
Engineering	10,000	10,000	10,918	(918)
Miscellaneous expenses	23,545	23,545	2,945	20,600
Contingency	24,916	24,916	-	24,916
Total operating expenses	274,456	274,456	213,191	61,265
Excess of operating revenues over (under) operating expenses	(159,206)	(159,206)	(76,138)	83,068
Nonoperating revenues				
Property taxes	442,426	442,426	442,426	-
Specific ownership taxes	13,273	13,273	14,429	1,156
Interest income	10,120	10,120	3,541	(6,579)
Total nonoperating revenues	465,819	465,819	460,396	(5,423)
Nonoperating expenses				
Treasurer fees	22,121	22,121	22,103	18
Interest expense	149,867	149,867	148,177	1,690
Debt service principal	154,050	154,050	154,050	-
Capital outlay	92,400	92,400	42,105	50,295
Total nonoperating expenses	418,438	418,438	366,435	52,003
Excess of revenues over (under) expenses	\$ (111,825)	\$ (111,825)	17,823	\$ 129,648
Adjustments to GAAP basis				
Depreciation and amortization			(103,655)	
Capital assets, capitalized			16,513	
Debt service principal			154,050	
Change in net assets			\$ 84,731	

Buttermilk Metropolitan District

SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2009

Calendar Year Ended December 31	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
General Fund					
2005	\$ 21,700,340	7.252	\$ 157,371	\$ 157,371	100.00%
2006	22,022,380	7.650	168,469	160,739	95.41%
2007	23,970,671	7.630	182,902	182,896	100.00%
2008	27,104,380	6.951	188,403	188,382	99.99%
2009	29,748,430	6.951	206,782	206,787	100.00%
2010	47,852,030	4.305	206,003		
Proprietary Fund					
2005	30,225,180	13.162	397,823	397,824	100.00%
2006	30,914,740	13.522	418,031	403,781	96.59%
2007	31,735,231	13.434	426,335	427,283	100.22%
2008	40,992,790	10.594	434,278	434,252	99.99%
2009	41,761,950	10.594	442,426	442,426	100.00%
2010	58,476,600	7.573	442,843		

Note:

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