



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

December 31, 2010

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	2
FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS.....	9
STATEMENT OF ACTIVITIES.....	10
BALANCE SHEET – GOVERNMENTAL FUNDS	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS.....	12
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	13
STATEMENT OF NET ASSETS – PROPRIETARY FUND	14
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUND	15
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	16
NOTES TO FINANCIAL STATEMENTS.....	17
SUPPLEMENTAL INFORMATION	
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – PROPRIETARY FUND.....	28
SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED.....	29

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

April 8, 2011

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, 2010, 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, 2010, 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, 2010**

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, 2010. 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 2010 are as follows:

- In total, the District's overall net assets increased by \$227,800 or about 13.6% over the prior fiscal year. This was primarily due to an increase in tap fees and special charges in the Water (Enterprise) Fund.
- Total revenues increased by approximately \$139,000, or 17%, over the prior fiscal year. Charges for water utilities increased by \$20,300 and special charges for upgrades to pump station two resulted in an additional revenue increase of \$57,000. Water tap fee receivables of \$72,000 account for the remaining increase in revenues from 2009 to 2010.
- The District's overall expenses increased by approximately \$28,000 compared to the prior fiscal year. This is primarily due to the costs associated with the management and analysis of the new water supply contract with, and connection to, the City of Aspen's water system.

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, 2010

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 types of 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.

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

**BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010**

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 2010 compared to 2009:

<i>IN THOUSANDS</i>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
ASSETS:						
Current & Other Assets	\$ 485	\$ 488	\$ 1,068	\$ 1,008	\$ 1,553	\$ 1,496
Capital Assets, Net	<u>708</u>	<u>714</u>	<u>3,458</u>	<u>3,492</u>	<u>4,166</u>	<u>4,206</u>
Total Assets	<u>1,193</u>	<u>1,202</u>	<u>4,526</u>	<u>4,500</u>	<u>5,719</u>	<u>5,702</u>
LIABILITIES:						
Current & Other Liabilities	216	224	493	491	709	715
Long-term Debt - Current	45	43	170	162	215	205
Long-term Debt - Non-current	<u>609</u>	<u>654</u>	<u>2,281</u>	<u>2,451</u>	<u>2,890</u>	<u>3,105</u>
Total Liabilities	<u>870</u>	<u>921</u>	<u>2,944</u>	<u>3,104</u>	<u>3,814</u>	<u>4,025</u>
NET ASSETS (DEFICIT):						
Invested in Capital Assets, Net of Related Debt	54	17	1,007	879	1,061	896
Restricted for Emergencies	4	4	11	9	15	13
Unrestricted (Deficit)	<u>265</u>	<u>259</u>	<u>564</u>	<u>508</u>	<u>829</u>	<u>767</u>
Total Net Assets	<u>\$ 323</u>	<u>\$ 280</u>	<u>\$ 1,582</u>	<u>\$ 1,396</u>	<u>\$ 1,905</u>	<u>\$ 1,676</u>

Total Assets increased by approximately \$17,000 from 2009 to 2010, primarily due to an increase in tap fee receivables, and other receivables involving special charges for the upgrades to pump station two. These increases were offset by a decrease in capital assets, net of depreciation.

Total Liabilities decreased by approximately \$210,000 from 2009 to 2010, primarily due to a decrease in long-term debt.

Total Net Assets for the District reflect an overall increase of approximately \$228,000 from 2009 to 2010. This results from a \$42,000 increase in governmental activities (Road Fund) and an \$186,000 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.

**BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010**

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 2010 compared to 2009:

<i>IN THOUSANDS</i>	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
REVENUES:						
Charges for Services	\$ -	\$ 3	\$ 215	\$ 137	\$ 215	\$ 140
Property & Ownership Taxes	206	213	451	457	657	670
Capital Contributions	-	-	72	-	72	-
Interest Earnings & Other	12	7	4	4	16	11
Total Revenues	<u>218</u>	<u>223</u>	<u>742</u>	<u>598</u>	<u>960</u>	<u>821</u>
EXPENSES:						
Operations/Maintenance	81	83	164	152	245	235
Prof. Fees & Admin	23	22	108	61	131	83
County Treasurer's Fees	10	10	22	22	32	32
Capital Outlay	-	12	10	26	10	38
Amortization & Depreciation	24	24	110	104	134	128
Interest & Fiscal Charges	38	40	142	148	180	188
Total Expenses	<u>176</u>	<u>191</u>	<u>556</u>	<u>513</u>	<u>732</u>	<u>704</u>
INCREASE (DECREASE)						
IN NET ASSETS	<u>\$ 42</u>	<u>\$ 32</u>	<u>\$ 186</u>	<u>\$ 85</u>	<u>\$ 228</u>	<u>\$ 117</u>

Overall revenues increased by approximately \$139,000, or 17%, from 2009 to 2010. Due to personal property tax abatements within the District, property and specific ownership tax revenues decreased by approximately \$13,000. There were no charges for road services (road heavy vehicle use fees) in 2010, but charges for water services (water utilities and special charges for pump station two upgrades) increased by \$78,000. Capital contributions (water tap fees) increased by \$72,000. Interest earnings and miscellaneous income increased by \$4,000 over 2009.

Overall expenses in 2010 increased by approximately \$28,000 compared to 2009. This is primarily due to the costs associated with the management and analysis of the new water supply contract with, and connection to, the City of Aspen's water system, which is offset by a decrease in capital costs in the road tax area. The 2010 road capital costs (new guardrails) have been depreciated in 2010, and the full expenditure of the asset will not appear on the Statement of Activities.

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

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. 2010 was the fifth 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 *(see pages 5, 12, & 13 of this report for the following analysis)*

Gross General Fund (Road Fund) revenues were \$217,709 in 2010, which reflects \$206,264 from property taxes and specific ownership taxes. Property tax abatements in the Road Fund for 2010 amounted to \$15,919. Other contributors to Road Fund revenues were \$5,000 collected from Aspen Skiing Company for its share of snow removal costs on West Buttermilk Road, and interest earnings and other miscellaneous revenues.

For the following comparison between 2009 and 2010, see specifically page 5 of this report. General Fund (Road Fund) expenditures of \$210,214 in 2010 reflect a decrease of \$9,757 over the 2009 total of \$219,971. A reduction in capital road costs in 2010 over 2009 is primarily responsible for this decrease. As of the end of 2010, the District's governmental fund reported an ending fund balance of \$252,873, reflecting an increase of \$7,495 (or 3%) over the 2009 fund balance. This increase in the fund balance results from realizing more revenues than expenditures in 2010. The ending fund balance of \$252,873 shown on page 13 is the amount of net resources available for future spending in the Road (Governmental) Fund.

Proprietary (Water) Fund *(see pages 5, 14, 15, 16, & 28 of this report for the following analysis)*

The ending net assets of the Proprietary Fund increased from \$1,395,956 to \$1,581,777 (for a total increase of \$185,821) during the fiscal year ending December 31, 2010. Current assets, consisting primarily of cash, investments, and receivables, increased approximately \$68,734 in 2010 (from \$927,620 in 2009 to a total of \$996,354 in 2010). This is primarily due to an increase in tap fee and other receivables.

For the following comparison between 2009 and 2010, see specifically page 5 of this report. In the Proprietary Fund, total operating revenues from water usage charges and other fees were \$214,732, an increase of \$77,679 compared to 2009. This is primarily due to a \$20,300 increase in water usage billings and \$57,100 in billings for upgrades to pump station two. Non-operating revenues, consisting of property and

BUTTERMILK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

specific ownership taxes, water tap fees, and interest income increased by \$66,539 compared to 2009, for a total of \$526,935. This is primarily due to the tap fee receivables levied in 2010. The Proprietary Fund's operating expenses (excluding depreciation, amortization, and capital outlay) totaled \$278,458 in 2010, reflecting an increase of \$65,267, or 31%, over 2009, primarily due to an increase in costs associated with the management and analysis of the new water supply contract with, and connection to, the City of Aspen's water system. Non-operating expenses, consisting of capital outlay, interest and other fiscal charges, increased by \$30,400 over 2009, due to an increase in capital expenditures on various water projects in 2010. The Proprietary Fund Statement of Cash Flows on page 16 indicates an ending cash balance of \$429,050 available for future spending in the Proprietary (Water) Fund.

BUDGET VARIANCES

Governmental (Road) Fund

Total revenues in the Road Fund exceeded budget expectations by \$736. Total expenditures in 2010 were \$210,214 – below budget by 17%, or \$41,446, with budget savings realized in all expense categories. A budget-to-actual statement for the General Fund can be found on page 13 of this report.

Proprietary (Water) Fund

Water service charges (revenues) totaled \$151,474, or 27% more than budgeted. In addition to water service charges, the District levied \$61,721 in unbudgeted special charges, primarily for upgrades to pump station two. Non-operating revenues, consisting of property taxes, specific ownership taxes, tap fees, and interest income, came in over budget by \$72,385, or 16%, primarily due to tap fee receivables levied in 2010. Overall, Proprietary Fund revenues – operating plus non-operating – exceeded the budget by \$166,867. Operating and non-operating expenses, as a whole, came in under budget by \$75,923, or 11%. Budget savings were realized in the areas of management, accounting & auditing, legal, insurance, capital project costs, and contingency. Budget overages occurred in the areas of operations & maintenance, engineering, and miscellaneous. 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 \$34,212 in business-type activities and decreased by \$6,481 in governmental activities. These decreases are 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, 2010**

DEBT ADMINISTRATION

Currently the District has \$3,105,000 in General Obligation Bonds, of which \$654,090 is carried in governmental activities (Road Fund) and \$2,450,910 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. The District will pursue a refinancing of the remaining bonds in 2011 in order to take advantage of the current reduction in bond interest rates.

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, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 268,012	\$ 429,050	\$ 697,062
Receivables			
Property taxes	197,816	436,266	634,082
Accounts receivable	-	11,955	11,955
Tap fee receivables	-	71,964	71,964
Other receivables	-	45,252	45,252
Prepaid expenses	-	1,867	1,867
Capital assets (net of accumulated depreciation)			
Capital assets	707,596	3,457,942	4,165,538
Other assets (net of accumulated amortization)			
Bond issuance costs	12,801	48,000	60,801
Organization costs	6,345	23,873	30,218
	<u>\$ 1,192,570</u>	<u>\$ 4,526,169</u>	<u>\$ 5,718,739</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 15,139	\$ 45,973	\$ 61,112
Accrued interest payable	3,171	11,243	14,414
Deferred revenue	197,816	436,266	634,082
Non-current liabilities, due within one year			
Bonds payable	45,263	169,737	215,000
Non-current liabilities, due after one year			
Bonds payable	608,827	2,281,173	2,890,000
Total Liabilities	<u>870,216</u>	<u>2,944,392</u>	<u>3,814,608</u>
Net assets			
Invested in capital assets, net of related debt	53,506	1,007,032	1,060,538
Restricted for emergencies	4,101	10,969	15,070
Unrestricted	264,747	563,776	828,523
Total Net Assets	<u>322,354</u>	<u>1,581,777</u>	<u>1,904,131</u>
	<u>\$ 1,192,570</u>	<u>\$ 4,526,169</u>	<u>\$ 5,718,739</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2010

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 137,898	\$ -	\$ -	\$ -	\$ (137,898)	\$ -	\$ (137,898)
Interest on long-term debt	37,797	-	-	-	(37,797)	-	(37,797)
Total governmental activities	<u>175,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175,695)</u>	<u>-</u>	<u>(175,695)</u>
Business-type activities:							
Water	555,846	214,732	-	71,964		(269,150)	(269,150)
Total business-type activities	<u>555,846</u>	<u>214,732</u>	<u>-</u>	<u>71,964</u>		<u>(269,150)</u>	<u>(269,150)</u>
Total	<u>\$ 731,541</u>	<u>\$ 214,732</u>	<u>\$ -</u>	<u>\$ 71,964</u>	(175,695)	(269,150)	(444,845)
General revenues:							
					206,264	450,724	656,988
					2,765	4,247	7,012
					8,680	-	8,680
					<u>217,709</u>	<u>454,971</u>	<u>672,680</u>
					42,014	185,821	227,835
					280,340	1,395,956	1,676,296
					<u>\$ 322,354</u>	<u>\$ 1,581,777</u>	<u>\$ 1,904,131</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2010

	General	Total Governmental Funds
ASSETS		
Equity in pooled cash and investments	\$ 268,012	\$ 268,012
Receivables		
Property taxes	197,816	197,816
Total Assets	<u>\$ 465,828</u>	<u>\$ 465,828</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$ 15,139	\$ 15,139
Deferred property taxes	197,816	197,816
Total Liabilities	<u>212,955</u>	<u>212,955</u>
Fund equity		
Reserved for emergencies	4,101	4,101
Unreserved	248,772	248,772
Total Fund Equity	<u>252,873</u>	<u>252,873</u>
Total Liabilities and Fund Equity	<u>\$ 465,828</u>	<u>\$ 465,828</u>
Fund equity (as reported above)		\$ 252,873
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.		707,596
Bond issuance and organizational costs, net of accumulated amortization, are not financial resources, and therefore, are not reported in the fund.		19,146
Long-term debt is not due and payable in the current period, and therefore, is not reported in the fund.		(654,090)
Accrued interest is not due and payable the current period, and therefore, is not reported in the fund.		(3,171)
Net assets of governmental activities		<u>\$ 322,354</u>

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, 2010

	General	Total Governmental Funds
Revenues		
Taxes	\$ 206,264	\$ 206,264
Interest	2,765	2,765
Miscellaneous	8,680	8,680
Total revenues	<u>217,709</u>	<u>217,709</u>
Expenditures		
General government	113,915	113,915
Debt service		
Principal	43,050	43,050
Interest	37,954	37,954
Capital outlay	15,295	15,295
Total expenditures	<u>210,214</u>	<u>210,214</u>
Excess of Revenues Over (Under) Expenditures	7,495	7,495
Fund Balance - beginning	245,378	245,378
Fund Balance - ending	<u>\$ 252,873</u>	<u>\$ 252,873</u>
Net change in fund balance (above)		\$ 7,495
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. (\$21,776 less \$15,295)		(6,481)
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.		158
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.		43,050
Change in net assets of governmental activities		<u>\$ 42,014</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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 206,003	\$ 206,003	\$ 216,369	\$ 10,366
Tax abatements	-	-	(15,919)	(15,919)
Specific ownership taxes	4,120	4,120	5,814	1,694
Interest earnings	1,850	1,850	2,765	915
Miscellaneous income	5,000	5,000	8,680	3,680
Total revenues	<u>216,973</u>	<u>216,973</u>	<u>217,709</u>	<u>736</u>
Expenditures				
Management fees and office	14,250	14,250	12,015	2,235
Accounting and auditing	10,635	10,635	8,218	2,417
Engineering	3,500	3,500	62	3,438
Insurance	2,760	2,760	2,633	127
Legal	2,500	2,500	18	2,482
Repairs and maintenance	83,002	83,002	79,358	3,644
Treasurer fees	10,300	10,300	10,136	164
Miscellaneous	4,155	4,155	1,475	2,680
Interest expense	37,954	37,954	37,954	-
Debt service principal	43,050	43,050	43,050	-
Contingency	16,054	16,054	-	16,054
Capital outlay	23,500	23,500	15,295	8,205
Total expenditures	<u>251,660</u>	<u>251,660</u>	<u>210,214</u>	<u>41,446</u>
Excess of Revenues Over (Under) Expenditures	(34,687)	(34,687)	7,495	42,182
Fund balance, beginning	<u>230,208</u>	<u>230,208</u>	<u>245,378</u>	<u>15,170</u>
Fund balance, ending	<u>\$ 195,521</u>	<u>\$ 195,521</u>	<u>\$ 252,873</u>	<u>\$ 57,352</u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

STATEMENT OF NET ASSETS - PROPRIETARY FUND

December 31, 2010

ASSETS			
Current assets			
Cash and cash equivalents		\$	429,050
Receivables			
Accounts receivable			11,955
Property taxes			436,266
Tap fee receivables			71,964
Other receivables			45,252
Prepaid expenses			1,867
	Total current assets		<u>996,354</u>
Noncurrent assets			
Bond issuance and organization costs, net of amortization			71,873
Capital assets, net of depreciation			<u>3,457,942</u>
	Total assets	\$	<u><u>4,526,169</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		\$	45,973
Deferred property taxes			436,266
Accrued interest payable			11,243
Current portion of bonds payable			169,737
	Total current liabilities		<u>663,219</u>
Bonds payable, less current portion			<u>2,281,173</u>
	Total liabilities		<u>2,944,392</u>
Net assets			
Invested in capital assets, net of related debt			1,007,032
Restricted for emergencies			10,969
Unrestricted			563,776
	Total net assets		<u>1,581,777</u>
	Total liabilities and net assets	\$	<u><u>4,526,169</u></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, 2010

	<u>Business-type Activities- Enterprise Fund</u>
Operating revenues	
Water service charges	\$ 151,474
Special assessments	61,721
Miscellaneous income	1,537
	<u>214,732</u>
	Total operating revenues
Operating expenses	
Operations and maintenance	134,841
Depreciation and amortization	109,664
Management fees	23,975
Accounting	8,217
Water quality testing	4,548
Utilities	15,712
Legal fees	30,283
Water augmentation	7,380
Insurance	2,634
Engineering	12,863
Miscellaneous expenses	38,005
Capital outlay	3,524
	<u>391,646</u>
	Total operating expenses
	Operating income (loss)
	(176,914)
Nonoperating revenues (expenses)	
Taxes	450,724
Tap fee revenue	71,964
Interest income	4,247
Treasurer fees	(22,066)
Interest expense	(142,134)
	<u>362,735</u>
	Total nonoperating revenues (expenses)
	Change in net assets
	185,821
Net assets - beginning	<u>1,395,956</u>
Net assets - ending	<u><u>\$ 1,581,777</u></u>

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Year ended December 31, 2010

	Business-type Activities- Enterprise Fund
Cash flows from operating activities	
Cash received from customers and users	\$ 178,133
Cash paid to suppliers	(272,904)
Other miscellaneous receipts	1,537
Net cash provided (used) by operating activities	(93,234)
Cash flows from non-capital financing activities	
Property taxes	450,724
Treasurer fees	(22,066)
Net cash provided (used) by non-capital financing activities	428,658
Cash flows from capital and related financing activities	
Purchase of capital assets	(67,161)
Interest paid	(142,781)
Principal payments on long-term debt	(161,950)
Net cash provided (used) by capital and related financing activities	(371,892)
Cash flow from investing activities	
Investment income received	4,247
Net cash provided (used) by investing activities	4,247
Net increase (decrease) in cash	(32,221)
Cash - beginning	461,271
Cash - ending	\$ 429,050
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (176,914)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	109,664
(Increase) decrease in accounts receivable	10,190
(Increase) decrease in other receivables	(45,252)
(Increase) decrease in prepaid expenses	(88)
Increase (decrease) in accounts payable	9,166
Total adjustments	83,680
Net cash provided (used) by operating activities	\$ (93,234)
Non-cash capital and related financing activities	
Tap fee revenues funded with receivables	\$ 71,964

The accompanying notes are an integral part of this statement.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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 2010 budget year, prior to August 25, 2009, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2009, 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 2010 budget, prior to December 15, 2009, 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 2010 budget, the final budget and appropriating resolution was adopted prior to December 31, 2009.
- (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, 2010, the District's original budget was appropriated at \$251,660 and \$751,216 for the General Fund and Proprietary Fund, respectively. The District did not have any supplemental appropriation for 2010.

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, 2010

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	10 to 40 years
Water system	5 to 40 years

9. Property Taxes

Property taxes for 2010, collectible in 2011, were certified by the Pitkin County Commissioners before December 31, 2010. Property taxes attached as an enforceable lien on January 1, 2011 and are due in total April 30, 2011 or in equal installments February 28, 2011 and June 15, 2011, at the option of the taxpayer. Property taxes for 2010, collectible in 2011, 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 \$19,719 in the General Fund and \$74,058 in the Proprietary Fund at December 31, 2010.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 \$77,694 and the bank balance was \$91,855. 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 \$619,368 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, 2010

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	\$ 77,694
Investments	<u>619,368</u>
Total equity in pooled cash and investments	<u>\$ 697,062</u>

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/10</u>
Governmental activities				
Road system	\$ 833,093	\$ 15,295	\$ –	\$ 848,388
Less: accumulated depreciation	<u>(119,016)</u>	<u>(21,776)</u>	<u>–</u>	<u>(140,792)</u>
Governmental activities capital assets, net	<u>\$ 714,077</u>	<u>\$ (6,481)</u>	<u>\$ –</u>	<u>\$ 707,596</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	3,831,049	67,161	–	3,898,210
Less: accumulated depreciation	<u>(477,384)</u>	<u>(101,373)</u>	<u>–</u>	<u>(578,757)</u>
Total capital assets being depreciated	<u>3,353,665</u>	<u>(34,212)</u>	<u>–</u>	<u>3,319,453</u>
Business-type activities capital assets, net	<u>\$ 3,492,154</u>	<u>\$ (34,212)</u>	<u>\$ –</u>	<u>\$ 3,457,942</u>

Depreciation expense for the governmental activities and business-type activities for 2010 was \$21,776 and \$101,373, respectively. All governmental activity depreciation is allocated to the general government function.

Buttermilk Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE D – LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General Obligation Bonds:					
Governmental activities	\$ 697,140	\$ –	\$ 43,050	\$ 654,090	\$ 45,263
Business-type activities	<u>2,612,860</u>	<u>–</u>	<u>161,950</u>	<u>2,450,910</u>	<u>169,737</u>
 Total	 <u>\$ 3,310,000</u>	 <u>\$ –</u>	 <u>\$ 205,000</u>	 <u>\$ 3,105,000</u>	 <u>\$ 215,000</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>
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	265,000	123,870	388,870
2016-2020	1,545,000	381,514	1,926,514
2021	<u>365,000</u>	<u>20,987</u>	<u>385,987</u>
	 <u>\$ 3,105,000</u>	 <u>\$1,143,606</u>	 <u>\$ 4,248,606</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, 2010.

Buttermilk Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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, 2009 (the latest audited information available) is as follows:

Assets	<u>\$ 30,153,631</u>
Liabilities	\$ 11,972,279
Capital and surplus	<u>18,181,352</u>
Total	<u>\$ 30,153,631</u>
Revenues	\$ 10,445,019
Investment income and other	<u>567,933</u>
Total revenue	11,012,952
Expenses	<u>9,533,550</u>
Excess of revenues over expenses	<u>\$ 1,479,402</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, 2010

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, 2010, a reserve of \$4,101 was required for the General Fund and \$10,969 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.

NOTE H – SUBSEQUENT EVENT

The District entered into an agreement with the City of Aspen (the City) as of January 14, 2011 stipulating that the City would provide potable water to the District. In addition, the District's water rights were part of the contract consideration and are to be conveyed to the City with a partial remuneration of their value, \$70,000, being paid to the District by Pitkin County. If the aforementioned agreement to provide potable water terminates, the water rights are relinquished to the District.

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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Operating revenues				
Water service charges	\$ 120,000	\$ 120,000	\$ 151,474	\$ 31,474
Special assessments	-	-	61,721	61,721
Miscellaneous income	250	250	1,537	1,287
Total operating revenues	120,250	120,250	214,732	94,482
Operating expenses				
Operations and maintenance	135,675	135,675	162,481	(26,806)
Management fees and office	27,250	27,250	23,975	3,275
Accounting and auditing	10,635	10,635	8,217	2,418
Legal	75,000	75,000	30,283	44,717
Insurance	2,760	2,760	2,634	126
Engineering	10,000	10,000	12,863	(2,863)
Miscellaneous expenses	24,995	24,995	38,005	(13,010)
Contingency	38,028	38,028	-	38,028
Total operating expenses	324,343	324,343	278,458	45,885
Excess of operating revenues over (under) operating expenses	(204,093)	(204,093)	(63,726)	140,367
Nonoperating revenues				
Property taxes	442,843	442,843	450,228	7,385
Tax abatements	-	-	(11,999)	(11,999)
Specific ownership taxes	8,857	8,857	12,495	3,638
Tap fee revenue	-	-	71,964	71,964
Interest income	2,850	2,850	4,247	1,397
Total nonoperating revenues	454,550	454,550	526,935	72,385
Nonoperating expenses				
Treasurer fees	22,142	22,142	22,066	76
Interest expense	142,781	142,781	142,134	647
Debt service principal	161,950	161,950	161,950	-
Capital outlay	100,000	100,000	70,685	29,315
Total nonoperating expenses	426,873	426,873	396,835	30,038
Excess of revenues over (under) expenses	\$ (176,416)	\$ (176,416)	66,374	\$ 242,790
Adjustments to GAAP basis				
Depreciation and amortization			(109,664)	
Capital assets, capitalized			67,161	
Debt service principal			161,950	
Change in net assets			\$ 185,821	

Buttermilk Metropolitan District

SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2010

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	200,450	97.30%
2011	45,950,290	4.305	197,816		
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	438,229	98.96%
2011	57,608,370	7.573	436,266		

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.