



**FIVETREES METROPOLITAN DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2009

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

March 30, 2010

The Board of Directors
FiveTrees Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of FiveTrees 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 FiveTrees 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 and each major fund of FiveTrees Metropolitan District, as of December 31, 2009, and the respective changes in financial position 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 FiveTrees 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.

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

The FiveTrees Metropolitan District (the "District") was approved by voters on November 7, 2000, and formally organized by judicial decree on November 30, 2000, for the purpose of providing certain public infrastructure, municipal services, and recreational services (open space, trails, and a private ski lift) for the benefit of the residents and property owners within the District. The District is located within the City of Aspen, Colorado, and serves a 199-acre residential community between the Aspen Public School District and Aspen Highlands Ski Area.

As the managers of the FiveTrees Metropolitan District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. Current-year to prior-year comparisons are presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 6 and 7 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund that 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.

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

Governmental Fund financial statements are prepared on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the District's general government operations and the basic services it provides.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page 11 of this report.

THE DISTRICT AS A WHOLE

Statement of Net Assets

The perspective of the Statement of Net Assets is of the District as a whole. Following is a summary of the District's net assets for the fiscal year 2009 compared to 2008:

<i>(In Thousands)</i>	<u>2009</u>	<u>2008</u>
<u>ASSETS:</u>		
Current and Other Assets	\$ 1,113	\$ 1,025
Capital Assets, Net of Deprec	<u>1,103</u>	<u>1,174</u>
Total Assets	<u>2,216</u>	<u>2,199</u>
<u>LIABILITIES:</u>		
Current and other liabilities	<u>507</u>	<u>468</u>
Total Liabilities	<u>507</u>	<u>468</u>
<u>NET ASSETS:</u>		
Invested in Capital Assets	1,103	1,174
Restricted for emergencies	12	11
Unrestricted (Deficit)	<u>594</u>	<u>546</u>
Total Net Assets	<u>\$ 1,709</u>	<u>\$ 1,731</u>

Net Assets decreased compared to the 2008 amount by \$22,141 primarily due to a decrease in capital assets, net of depreciation which was offset by an increase in restricted and unrestricted net assets.

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

Statement of Activities

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>	2009	2008
REVENUES:		
Property Taxes	\$ 354	\$ 346
Specific Ownership Taxes	12	15
Interest earnings	4	15
Fee income	36	58
Other fees & charges	-	-
Total Revenues	406	433
EXPENSES:		
General Government	55	54
Public Works	145	122
(Roads, Irrigation, Transit, Landscaping)		
Culture and recreation	108	111
County Treasurer's Fees	18	17
Capital Outlay	31	5
Depreciation	71	70
Total Expenses	428	379
Change in Net Assets	\$ (22)	\$ 54

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

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

Governmental Fund

For 2009 revenues and expenditures in the Governmental Fund, see pages 9 and 10 of this report. Total 2009 revenues decreased by \$26,846 or 6.2% compared to 2008. This is primarily due to a decrease in specific ownership taxes and a significant decrease in interest earnings on investments as a result of the economic downturn in 2009. Total 2009 expenditures increased \$48,441 or 16% over 2008. The greatest cost increases were in the forest beetle battle expenditures, weed control, and capital projects (road improvements, landscape improvements, gates, and sidewalks). Cost savings were realized when compared to 2008 in the areas of transit, snow removal, landscaping, drainage maintenance, irrigation, and lift operations.

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

BUDGET VARIANCES

The District's actual revenues in the amount of \$406,340 were greater than budget expectations of \$396,324 by \$10,016 or 2.6%. This was primarily due to greater-than-anticipated specific ownership taxes, interest income, and lift fees from out-of-district lift users. Expenditures, as a whole, were \$357,929, or 26% less than budgeted. Budget savings were realized in management and professional fees; transit costs; snow removal costs; irrigation, drainage, and landscape costs; lift operations; and capital outlay. Expense overages occurred in general office costs; general road maintenance; and weed control costs. A summary of budget to actual expenditures for the governmental fund can be found on page 10 of this report.

CAPITAL ASSETS

The District's net capital assets decreased by \$70,552 in governmental activities. This decrease is 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 16 of this report.

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:

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

FiveTrees Metropolitan District
STATEMENT OF NET ASSETS

December 31, 2009

	Governmental Activities
ASSETS	
Cash and investments	\$ 743,672
Receivables	
Accounts receivable	19,225
Property taxes	349,757
Capital assets, net of accumulated depreciation	1,102,926
Total Assets	\$ 2,215,580
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 33,229
Deposits	123,585
Deferred property taxes	349,757
Total Liabilities	506,571
Net Assets	
Invested in capital assets	1,102,926
Restricted for emergencies	12,190
Unrestricted	593,893
Total Net Assets	1,709,009
Total Liabilities and Net Assets	\$ 2,215,580

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2009

Function/Programs	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	
Governmental activities:					
General government	\$ 73,439	\$ -	\$ -	\$ -	\$ (73,439)
Public works	208,095	30	-	-	(208,065)
Culture and recreation	146,947	35,941	-	-	(111,006)
Total governmental activities	\$ 428,481	\$ 35,971	\$ -	\$ -	(392,510)
General revenues:					
Property taxes					365,886
Interest earnings					4,483
Total general revenues					<u>370,369</u>
Change in net assets					(22,141)
Net assets - beginning					<u>1,731,150</u>
Net assets - ending					<u>\$ 1,709,009</u>

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2009

	General	Total Governmental Funds
ASSETS		
Cash and investments	\$ 743,672	\$ 743,672
Receivables		
Accounts receivable	19,225	19,225
Property taxes	349,757	349,757
	<u>1,112,654</u>	<u>1,112,654</u>
Total Assets	<u>\$ 1,112,654</u>	<u>\$ 1,112,654</u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$ 33,229	\$ 33,229
Deposits	123,585	123,585
Deferred property taxes	349,757	349,757
Total Liabilities	<u>506,571</u>	<u>506,571</u>
Fund equity		
Reserved for emergencies	12,190	12,190
Unreserved	593,893	593,893
Total Fund Equity	<u>606,083</u>	<u>606,083</u>
Total Liabilities and Fund Equity	<u>\$ 1,112,654</u>	<u>\$ 1,112,654</u>
	Fund equity (as reported above)	\$ 606,083
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds		<u>1,102,926</u>
Net assets of governmental activities		<u>\$ 1,709,009</u>

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District

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

Year ended December 31, 2009

	General	Total Governmental Funds
Revenues		
Property taxes	\$ 354,317	\$ 354,317
Specific ownership taxes	11,569	11,569
Interest earnings	4,483	4,483
Fee income	35,827	35,827
Other fees and charges	144	144
Total revenues	<u>406,340</u>	<u>406,340</u>
Expenditures		
Current		
General government	73,439	73,439
Public works	145,248	145,248
Culture and recreation	108,389	108,389
Capital outlay	30,853	30,853
Total expenditures	<u>357,929</u>	<u>357,929</u>
Excess of Revenues Over (Under) Expenditures	48,411	48,411
Fund Balance - beginning	<u>557,672</u>	<u>557,672</u>
Fund Balance - ending	<u>\$ 606,083</u>	<u>\$ 606,083</u>
Net Change in Fund Balance (above)		\$ 48,411
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 and depreciated. This is the amount by which depreciation exceeded capital outlay in the current period.	(\$70,552 - \$0)	<u>(70,552)</u>
Change in net assets of governmental activities		<u>\$ (22,141)</u>

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District

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

Year ended December 31, 2009

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 354,317	354,317	\$ -
Specific ownership taxes	8,858	11,569	2,711
Interest earnings	2,949	4,483	1,534
Fee income	30,000	35,827	5,827
Other fees and charges	200	144	(56)
Total revenues	396,324	406,340	10,016
Expenditures			
General government			
Management fees	24,000	23,362	638
Professional fees	18,000	9,175	8,825
Treasurer's fees	17,716	17,781	(65)
Insurance	18,733	17,817	916
Office	3,500	5,304	(1,804)
Public works			
Highways and streets	53,000	56,370	(3,370)
Transportation	26,323	18,062	8,261
Irrigation, drainage and landscape	38,000	25,790	12,210
Weed and pest control	35,000	45,026	(10,026)
Culture and recreation			
Lift operations	126,496	107,695	18,801
Parks and trails	-	694	(694)
Capital outlay	95,000	30,853	64,147
Contingency	25,798	-	25,798
Total expenditures	481,566	357,929	123,637
Excess of Revenues Over (Under) Expenditures	\$ - (85,242)	\$ 48,411	\$ 133,653

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The FiveTrees Metropolitan District (the District) was organized pursuant to provisions set forth in the Colorado Special District Act in 2000. The governing body of the District consists of a five member Board of Directors, which is elected by the registered voters within the District. The purpose of the District is to manage the operation of all the facilities and improvements needed for FiveTrees Development, which is located within the City of Aspen.

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.

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

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.

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 only governmental activities.

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

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

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.

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 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.

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Current Financial Focus and Modified Accrual Basis

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

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.

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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").

As required by Colorado statutes, the District followed the timetable below in approving and enacting a budget for the ensuing years:

- (1) For the 2009 budget year, prior to August 23, 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.

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

FiveTrees 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed for amounts of \$5,000 or greater.

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

	<u>Estimated Lives</u>
Roads infrastructure	15 to 30 year
Utility distribution system	30 years
Ski lift equipment	10 to 25 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. Governmental Accounting Standards Board (GASB) Statement Number 20

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on accounting procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

FiveTrees Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE B – CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2009, the District had cash deposits of \$153,099, of which 100% was covered by federal depository insurance.

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 \$585,606 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.

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/09</u>
Governmental activities				
Capital assets being depreciated				
Roads	\$ 439,875	\$ -	\$ -	\$ 439,875
Irrigation system	300,000	-	-	300,000
Ski lift equipment	946,587	-	-	946,587
Less: accumulated depreciation	<u>(512,984)</u>	<u>(70,552)</u>	<u>-</u>	<u>(583,536)</u>
Capital assets, net	<u>\$ 1,173,478</u>	<u>\$ (70,552)</u>	<u>\$ -</u>	<u>\$ 1,102,926</u>

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE C – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs as follows:

Culture and recreation	\$ 38,558
Public works	<u>31,994</u>
Total depreciation expense – governmental activities	<u>\$ 70,552</u>

NOTE D – 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.

NOTE E – 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>948,122</u>
Total revenue	10,908,892
Expenses	<u>8,175,165</u>
Excess of revenues over expenses	<u>\$ 2,733,727</u>

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE F – 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.

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 \$12,190 was required.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 2000 fiscal year spending. 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

FiveTrees 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	
2005	\$ 18,214,550	15	\$ 278,218	\$ 265,697	95.50%
2006	19,292,200	15	289,383	286,283	98.93%
2007	20,068,500	15	301,028	301,027	100.00%
2008	29,161,940	11.861	345,884	345,890	100.00%
2009	29,872,420	11.861	354,317	354,317	100.00%
2010	32,211,880	10.858	349,757		

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.