

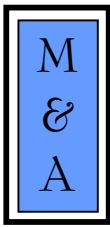
**Consolidated Metropolitan District  
Battlement Mesa, Colorado**

**Financial Statements  
December 31, 2009**

**Consolidated Metropolitan District  
Financial Report  
December 31, 2009**

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## INDEPENDENT AUDITOR'S REPORT

### **Board of Directors Consolidated Metropolitan District Battlement Mesa, Colorado**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Consolidated Metropolitan District (the "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 the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2008 financial statements and, in our report dated July 11, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 the Consolidated Metropolitan District, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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

The budgetary schedule of revenues, expenditures and changes in fund balance in Section E is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Member: American Institute of Certified Public Accountants*

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**Board of Directors  
Consolidated Metropolitan District**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information in Section F is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**McMahan and Associates, L.L.C.  
June 24, 2010**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Consolidated Metropolitan District

Management's Discussion and Analysis  
December 31, 2009

As management of the Consolidated Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the District is culture and recreation. The business-type activities of the District include the water and sewer systems and an activity center.

The government-wide financial statements can be found in Section C 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. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The District's governmental fund is the Conservation Trust Fund.

## Overview of the Financial Statements (continued)

**Governmental funds (continued):** Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The District adopts an annual appropriated budget for all its funds. The District does not have a General Fund and therefore no budgetary comparisons are presented for the General Fund.

The basic governmental fund financial statements can be found in Section C of this report.

**Proprietary funds:** The District maintains proprietary funds commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water and sewer systems and an activity center.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the business-type services provided by the District, each of which is considered to be a major fund of the District.

The basic proprietary fund financial statements can be found in Section C of this report.

**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 at Section D of this report.

**Other information:** The budgetary schedules found in Sections E and F provide a detailed comparison of the District's actual revenues and expenditures to actual amounts. As the District's proprietary funds were not adopted in a manner consistent with generally accepted accounting principles ("GAAP"), those schedules are presented on a Non-GAAP basis with reconciliation to GAAP basis.

## Government-wide Financial Analysis

	Consolidated Metropolitan District's Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets:</b>						
Current and other assets	\$ 7,537	7,387	2,360,756	2,993,125	2,368,293	3,000,512
Capital assets	-	-	5,798,251	5,240,853	5,798,251	5,240,853
<b>Total Assets</b>	<b>7,537</b>	<b>7,387</b>	<b>8,159,007</b>	<b>8,233,978</b>	<b>8,166,544</b>	<b>8,241,365</b>
<b>Liabilities:</b>						
Short-term liabilities	-	-	715,183	856,654	715,183	856,654
Long-term liabilities	-	-	17,462	19,586	17,462	19,586
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>732,645</b>	<b>876,240</b>	<b>732,645</b>	<b>876,240</b>
<b>Net Assets:</b>						
Invested in capital assets, net of debt	-	-	5,798,251	5,240,853	5,798,251	5,240,853
Unrestricted Net Assets	7,537	7,387	1,628,111	2,116,885	1,635,648	2,124,272
<b>Total Net Assets</b>	<b>\$ 7,537</b>	<b>7,387</b>	<b>7,426,362</b>	<b>7,357,738</b>	<b>7,433,899</b>	<b>7,365,125</b>

## Government-wide Financial Analysis (continued)

Traditionally, the largest portion of any district's investments is in its capital assets. Water and sewer systems and the activity center are necessary in order to deliver and/or provide services to the District's residents and visitors. The District's capital assets account for 71% of its total assets. These assets are not an available source for payment of future spending.

The District's net assets increased to \$ 7,433,899 in 2009. The increase is the result of an excess of revenue over expenditures in the business-type activities of \$68,624. An increase of \$50 in the government fund is due to investment income.

### Consolidated Metropolitan District's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	-	2,534,161	2,442,489	2,534,161	2,442,489
Grants and contributions	10,061	10,518	284,321	381,223	294,382	391,741
General revenues:						
Other income	-	-	16,068	12,126	16,068	12,126
Interest	50	100	50,270	64,342	50,320	64,442
<b>Total Revenues</b>	<b>10,111</b>	<b>10,618</b>	<b>2,884,820</b>	<b>2,900,180</b>	<b>2,894,931</b>	<b>2,910,798</b>
<b>Expenses:</b>						
Culture and recreation	-	-	-	-	10,111	10,618
Public works	-	-	16,721	-	16,721	-
Activity center	-	-	796,522	807,843	796,522	807,843
Water and sewer	-	-	2,013,014	1,942,108	2,013,014	1,942,108
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>2,826,257</b>	<b>2,749,951</b>	<b>2,836,368</b>	<b>2,760,569</b>
<b>Change in Net Assets before Transfers</b>	<b>10,111</b>	<b>10,618</b>	<b>58,563</b>	<b>150,229</b>	<b>58,563</b>	<b>150,229</b>
<b>Transfers</b>	<b>(10,061)</b>	<b>(8,500)</b>	<b>10,061</b>	<b>8,500</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>50</b>	<b>2,118</b>	<b>68,624</b>	<b>158,729</b>	<b>58,563</b>	<b>150,229</b>
<b>Net Assets - Beginning</b>	<b>7,487</b>	<b>5,369</b>	<b>7,357,738</b>	<b>7,199,009</b>	<b>7,365,225</b>	<b>7,204,378</b>
<b>Net Assets - Ending</b>	<b>\$ 7,537</b>	<b>7,487</b>	<b>7,426,362</b>	<b>7,357,738</b>	<b>7,433,899</b>	<b>7,365,225</b>

#### Governmental activities:

The decrease in governmental fund net assets is attributable to the District expending the lottery funds received from the State of Colorado, which were used for recreational purposes.

#### Business-type activities:

**Water and Sewer Fund:** The Water and Sewer Fund's change in net assets was a loss of \$100,245. The Water and Sewer Fund's operating revenues increased \$91,538 over 2008, while operating expenses increased \$70,905. The increase in operating revenues was primarily due to water sales and sewer service charges and operating expenses was primarily due to salaries, benefits and taxes, and repairs and maintenance. Non-operating revenues increased by \$150,710 over 2008 due to an increase in grant revenue. Also, there were significant decreases in system development fees and tap fees from 2008.



## Government-wide Financial Analysis (continued)

### Business-type activities (continued):

**Activity Center Fund:** The Activity Center Fund change in net assets was \$41,232, after depreciation expense of \$57,676, which was mitigated by a transfer of \$10,061 from the Conservation Trust Fund. The Activity Center Fund experienced an increase of recreation assessments from 2008. Operating expenses decreased \$11,321 from 2008. Recreation assessments accounted for 67% of the Activity Center Fund's operating revenues while user and program fees accounted for 31%. Personnel and administrative expenses accounted for 74% of Activity Center Fund expenses. Repairs and maintenance and direct program expenses accounted for about 15% of Activity Center Fund expenses.

**Public Works Fund:** In the first year of operations, the Public Works Fund experienced an increase in net assets of \$210,101. The Public Works Fund's operating loss was \$1,822. The increase in net assets was due to transfers of \$211,923 of assets from the Water and Sewer Fund.

### Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$7,537. The governmental fund of the District accounts for the lottery proceeds received from the State of Colorado. These funds are to be used for recreational purposes. The District does not have a General Fund, as its operations are primarily water and sewer services and recreational activities reported in the business-type activities.

**Proprietary funds:** The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for the proprietary funds combined at the end of the current fiscal year are \$1,628,111 and is broken down as follows: Water and Sewer Fund, \$1,601,453; Activity Center Fund, \$16,444 and Public Works Fund, \$10,214. The net unrestricted assets are available for spending at the District's discretion.

**Financial Analysis of the District's Funds (continued)**

**Budget variance in the proprietary funds:** The District had the following significant budget variances and is detailed as follows:

<u>Account</u>	<u>Variance Positive (Negative)</u>	<u>Reason</u>
<b>Water &amp; Sewer Fund</b>		
<b>Revenues:</b>		
Water sales	\$ 35,713	Conservative budget
Interest income	(54,730)	Lower rates paid
Charges for services	17,403	Additional sales
System development fees	(108,000)	No new development
Tap fees	(97,020)	No new development
<b>Expenditures:</b>		
Salaries, benefits and taxes	51,178	Economic conditions
Tap fees	(47,100)	Request for payment of taps sold
Repairs and maintenance	(9,480)	Unanticipated repairs
Utilities	78,922	Lower rates than anticipated
Insurance	(11,486)	Addition of new equipment
Tap fees		
<b>Activity Center Fund</b>		
<b>Revenues:</b>		
Interfund transfer	(118,034)	Increase in transfer from Water and Sewer Fund

**Capital assets:** The District's capital assets increased by \$557,398 due to more capital additions over depreciation expense. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement in Section D of this report.

**Long-term liabilities:** The District's long-term liabilities decreased \$2,124 as a result of decreases in customer deposits and accrued compensated absences. Additional information as well as a detailed classification of the District's total long-term liabilities can be found in the Notes to the Financial Statements at Section D.

**Next year's budget and rates:** Operating activity is expected to remain similar to 2009, and there are significant capital projects for the drying bed and tractor purchase planned. Water and sewer rates are budgeted for a five percent increase for 2010.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, Consolidated Metropolitan District, P.O. Box 6116, Battlement Mesa, Colorado 81636.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Consolidated Metropolitan District  
Statement of Net Assets  
December 31, 2009**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	-	27,315	27,315
Investments	-	2,225,008	2,225,008
Receivables, net:			
Service fees	-	96,260	96,260
Internal balances	7,537	(7,537)	-
Prepaid expenses	-	19,710	19,710
Property, plant and equipment, net of accumulated depreciation	-	5,798,251	5,798,251
<b>Total Assets</b>	<b>7,537</b>	<b>8,159,007</b>	<b>8,166,544</b>
<b>Liabilities:</b>			
Accounts payable	-	22,154	22,154
Deferred revenues	-	45,027	45,027
Prepaid tap fees	-	609,590	609,590
Accrued compensated absences:			
Due within one year	-	38,412	38,412
Due in more than one year	-	12,804	12,804
Customer deposits	-	4,658	4,658
<b>Total Liabilities</b>	<b>-</b>	<b>732,645</b>	<b>732,645</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	-	5,798,251	5,798,251
Unrestricted	7,537	1,628,111	1,635,648
<b>Total Net Assets</b>	<b>7,537</b>	<b>7,426,362</b>	<b>7,433,899</b>

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

**Consolidated Metropolitan District  
Statement of Activities  
For the Year Ended December 31, 2009**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs:</b>						
<b>Governmental Activities:</b>						
Culture and recreation	-	-	10,061	10,061	-	10,061
<b>Total Governmental     Activities</b>	<b>-</b>	<b>-</b>	<b>10,061</b>	<b>10,061</b>	<b>-</b>	<b>10,061</b>
<b>Business-type Activities:</b>						
Water and sewer	2,013,014	1,810,789	263,631	-	61,406	61,406
Activity center	796,522	708,472	20,690	-	(67,360)	(67,360)
Public works	16,721	14,900	-	-	(1,821)	(1,821)
<b>Total Business-type     Activities</b>	<b>2,826,257</b>	<b>2,534,161</b>	<b>284,321</b>	<b>-</b>	<b>(7,775)</b>	<b>(7,775)</b>
<b>Total</b>	<b>2,826,257</b>	<b>2,534,161</b>	<b>294,382</b>	<b>10,061</b>	<b>(7,775)</b>	<b>2,286</b>
<b>General Revenues:</b>						
Investment earnings				50	50,270	50,320
Other income				-	16,068	16,068
Transfers in (out)				(10,061)	10,061	-
<b>Total General Revenues and transfers</b>				<b>(10,011)</b>	<b>76,399</b>	<b>66,388</b>
<b>Change in Net Assets</b>				<b>50</b>	<b>68,624</b>	<b>68,674</b>
<b>Net Assets - Beginning</b>				<b>7,487</b>	<b>7,357,738</b>	<b>7,365,225</b>
<b>Net Assets - Ending</b>				<b>7,537</b>	<b>7,426,362</b>	<b>7,433,899</b>

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

**FUND FINANCIAL STATEMENTS**

**Consolidated Metropolitan District  
Balance Sheet  
Governmental Fund - Conservation Trust Fund  
December 31, 2009**

<b>Assets:</b>	
Due from other funds	<u>7,537</u>
<b>Total Assets</b>	<u><u>7,537</u></u>
<b>Fund Balance:</b>	
Unreserved	<u>7,537</u>
<b>Total Fund Balance</b>	<u><u>7,537</u></u>

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

**Consolidated Metropolitan District  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Governmental Fund - Conservation Trust Fund  
December 31, 2009**

<b>Revenues:</b>	
Lottery distributions	10,061
Investment income	50
<b>Total Revenues</b>	<u>10,111</u>
 <b>Excess of Revenues over Expenditures</b>	 <u>10,111</u>
 <b>Other Financing (Uses)</b>	
Transfers out	<u>(10,061)</u>
 <b>Total Other Financing (Uses)</b>	 <u>(10,061)</u>
 <b>Net Change in Fund Balance</b>	 50
 <b>Fund Balance - Beginning</b>	 <u>7,487</u>
 <b>Fund Balance - Ending</b>	 <u><u>7,537</u></u>

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



**Consolidated Metropolitan District  
Statement of Net Assets  
All Proprietary Funds  
December 31, 2009  
(With Comparative Actual Amounts for 2008)**

	2009			2008	
	Water and Sewer Fund	Activity Center Fund	Public Works Fund	Totals	Totals
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	27,090	225	-	27,315	2,290,040
Investments	2,225,008	-	-	2,225,008	601,134
Receivables:					
Service fees and other	96,260	-	-	96,260	88,118
Due from other funds	-	73,512	10,214	83,726	96,541
Prepaid expenses	19,710	-	-	19,710	21,320
<b>Total Current Assets</b>	<u>2,368,068</u>	<u>73,737</u>	<u>10,214</u>	<u>2,452,019</u>	<u>3,097,153</u>
<b>Non-Current Assets:</b>					
Construction in process	26,702	-	-	26,702	55,538
Water system	4,711,833	-	-	4,711,833	4,711,833
Sewer system	4,182,963	-	-	4,182,963	3,930,880
Buildings	418,593	871,396	104,648	1,394,637	871,396
Parking lots	-	174,793	-	174,793	174,793
Equipment	797,126	176,371	107,275	1,080,772	922,328
Accumulated depreciation	(5,333,841)	(427,572)	(12,036)	(5,773,449)	(5,425,915)
<b>Total Non-Current Assets</b>	<u>4,803,376</u>	<u>794,988</u>	<u>199,887</u>	<u>5,798,251</u>	<u>5,240,853</u>
<b>Total Assets</b>	<u>7,171,444</u>	<u>868,725</u>	<u>210,101</u>	<u>8,250,270</u>	<u>8,338,006</u>
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Accounts payable	22,149	6	-	22,155	90,023
Due to other funds	91,263	-	-	91,263	104,028
Compensated absences	29,216	9,195	-	38,411	38,962
Prepaid recreation assessments	-	45,027	-	45,027	70,979
Prepaid tap fees	609,590	-	-	609,590	656,690
<b>Total Current Liabilities</b>	<u>752,218</u>	<u>54,228</u>	<u>-</u>	<u>806,446</u>	<u>960,682</u>
<b>Non-Current Liabilities:</b>					
Customer deposits	4,658	-	-	4,658	6,599
Compensated absences	9,739	3,065	-	12,804	12,987
<b>Total Non-Current Liabilities</b>	<u>14,397</u>	<u>3,065</u>	<u>-</u>	<u>17,462</u>	<u>19,586</u>
<b>Total Liabilities</b>	<u>766,615</u>	<u>57,293</u>	<u>-</u>	<u>823,908</u>	<u>980,268</u>
<b>Net Assets:</b>					
Invested in capital assets	4,803,376	794,988	199,887	5,798,251	5,240,853
Unrestricted (deficit)	1,601,453	16,444	10,214	1,628,111	2,116,885
<b>Total Net Assets</b>	<u>6,404,829</u>	<u>811,432</u>	<u>210,101</u>	<u>7,426,362</u>	<u>7,357,738</u>

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

**Consolidated Metropolitan District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**All Proprietary Funds**  
**For the Year Ended December 31, 2009**  
**(With Comparative Actual Amounts for 2008)**

	<b>2009</b>			<b>2008</b>	
	<b>Water and Sewer Fund</b>	<b>Activity Center Fund</b>	<b>Public Works Fund</b>	<b>Totals</b>	<b>Totals</b>
<b>Operating Revenues:</b>					
User and program fees	-	233,054	-	233,054	240,169
Water sales	1,054,213	-	-	1,054,213	1,005,436
Sewer service charges	714,173	-	-	714,173	680,961
Service charges	42,403	-	14,900	57,303	32,854
Recreation assessments	-	499,175	-	499,175	487,490
Sale of goods	-	13,000	-	13,000	14,049
<b>Total Operating Revenues</b>	<b>1,810,789</b>	<b>745,229</b>	<b>14,900</b>	<b>2,570,918</b>	<b>2,460,959</b>
<b>Operating Expenses:</b>					
Administration	976,057	590,012	3,812	1,569,881	1,523,443
Water and sewer	738,064	-	-	738,064	720,448
Activity Center	-	148,834	-	148,834	160,957
Public works	-	-	874	874	-
Depreciation	298,891	57,676	12,036	368,603	345,103
<b>Total Operating Expenses</b>	<b>2,013,012</b>	<b>796,522</b>	<b>16,722</b>	<b>2,826,256</b>	<b>2,749,951</b>
<b>Operating Income (loss)</b>	<b>(202,223)</b>	<b>(51,293)</b>	<b>(1,822)</b>	<b>(255,338)</b>	<b>(288,992)</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest income	50,270	-	-	50,270	66,711
Grant revenue	260,651	-	-	260,651	93,470
<b>Total Non-Operating Revenues (Expenses)</b>	<b>310,921</b>	<b>-</b>	<b>-</b>	<b>310,921</b>	<b>160,181</b>
<b>Income Before Contributions &amp; Transfers</b>	<b>108,698</b>	<b>(51,293)</b>	<b>(1,822)</b>	<b>55,583</b>	<b>(128,811)</b>
System development fees	-	-	-	-	98,300
Tap fees	2,980	-	-	2,980	180,740
Interfund transfers in (out)	-	10,061	-	10,061	8,500
Transfers of assets to business-type activities	(211,923)	-	211,923	-	-
<b>Change in Net Assets</b>	<b>(100,245)</b>	<b>(41,232)</b>	<b>210,101</b>	<b>68,624</b>	<b>158,729</b>
<b>Net Assets (Deficit) - Beginning</b>	<b>6,505,074</b>	<b>852,664</b>	<b>-</b>	<b>7,357,738</b>	<b>7,199,009</b>
<b>Net Assets - Ending</b>	<b>6,404,829</b>	<b>811,432</b>	<b>210,101</b>	<b>7,426,362</b>	<b>7,357,738</b>

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

**Consolidated Metropolitan District**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**For the Year Ended December 31, 2009**  
**(With Comparative Actual Amounts for 2008)**

	2009			2008	
	Water and Sewer Fund	Activity Center Fund	Public Works Fund	Totals	Totals
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers and others	1,800,707	719,278	14,900	2,519,985	2,420,144
Cash payments for goods and services	(986,895)	(304,176)	(12,288)	(1,291,071)	(1,228,993)
Cash payments for salaries and benefits	(793,463)	(425,163)	(2,612)	(1,218,626)	(1,155,190)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>20,349</u>	<u>(10,061)</u>	<u>-</u>	<u>10,288</u>	<u>35,961</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>					
Transfer to other funds	156,972	-	-	156,972	(114,239)
Transfer from other funds	-	10,061	-	10,061	122,739
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>156,972</u>	<u>10,061</u>	<u>-</u>	<u>167,033</u>	<u>8,500</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Grants	260,651	-	-	260,651	163,470
Tap fees	(44,120)	-	-	(44,120)	153,940
System development fees	-	-	-	-	98,300
Capital outlay	(1,082,973)	-	-	(1,082,973)	(340,273)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(866,442)</u>	<u>-</u>	<u>-</u>	<u>(866,442)</u>	<u>75,437</u>
<b>Cash Flows From Investing Activities:</b>					
Purchase of investments	(2,400,000)	-	-	(2,400,000)	(600,000)
Redemption of investments	806,288	-	-	806,288	-
Interest income	20,108	-	-	20,108	65,577
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(1,573,604)</u>	<u>-</u>	<u>-</u>	<u>(1,573,604)</u>	<u>(534,423)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>(2,262,725)</u>	<u>-</u>	<u>-</u>	<u>(2,262,725)</u>	<u>(414,525)</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>2,289,815</u>	<u>225</u>	<u>-</u>	<u>2,290,040</u>	<u>2,704,565</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>27,090</u>	<u>225</u>	<u>-</u>	<u>27,315</u>	<u>2,290,040</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	(202,223)	(51,293)	(1,822)	(253,516)	(288,992)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>					
Depreciation	298,891	57,676	12,036	356,567	345,103
(Increase) decrease in accounts receivable - service fees	(8,142)	-	-	(8,142)	507
(Increase) decrease in due to/from other funds	(12,765)	23,029	(10,214)	10,264	2,118
(Increase) decrease in prepaid expenses	1,475	135	-	1,610	(16,396)
Increase (decrease) in compensated absences	5,259	(5,992)	-	(733)	(13,062)
Increase (decrease) in accounts payable	(60,205)	(7,664)	-	(67,869)	50,005
Increase (decrease) in deferred revenue	-	-	-	-	(2,000)
Increase (decrease) in prepaid assessments	-	(25,952)	-	(25,952)	(40,320)
Increase (decrease) in customer deposits	(1,941)	-	-	(1,941)	(1,002)
<b>Total Adjustments</b>	<u>222,572</u>	<u>41,232</u>	<u>1,822</u>	<u>263,804</u>	<u>324,953</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>20,349</u>	<u>(10,061)</u>	<u>-</u>	<u>10,288</u>	<u>35,961</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009**

**I. Summary of Significant Accounting Policies**

The Consolidated Metropolitan District (the "District") is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was organized under the provisions of the Colorado Revised Statutes ("CRS"), 32-1-101 to 1307, as amended. The District was formed in accordance with a special election in 1991 to consolidate Battlement Mesa Water and Sanitation District and Saddleback Metropolitan District under Section 32-1-102(4) of the Colorado Revised Statutes ("CRS"), as amended. On June 26, 2006 Battlement Mesa Metropolitan District ("Metro") transferred its duties, functions and net assets to the District per an Agreement for Service dated March 10, 2006, and as part of the dissolution process for BMMD, by judicial approval and electoral process. The purposes of the District are to provide metropolitan district facilities, programs and services for parks and recreation, streets, mosquito control, safety and fire protection, through provision and maintenance of fire hydrants, and water and sanitation services to the residents of the District. The management of the District is primarily through an elected Board of Directors which oversees administration, operations, and maintenance functions.

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

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

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

**B. Government-wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Public works and culture and recreation are classified as governmental activities. The District's water and sewer utilities and activity center are classified as business-type activities.

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

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

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (culture and recreation, utilities, etc.). The functions are also supported by general government revenues (specific ownership taxes and investment earnings). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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.

**C. Fund Financial Statements**

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

The fund focus is on current available resources and budget compliance.

The District reports the following governmental fund:

The *Conservation Trust Fund* accounts for lottery proceeds required to be expended solely on park and recreation improvements.

The District reports the following proprietary or business-type funds:

The *Water and Sewer Fund* accounts for the operations of the water and sewer plants.

The *Activity Center Fund* accounts for the operations of the activity center.

The *Public Works Fund* accounts for the operations of street sweeping.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

**1. Long-term Economic Focus and Accrual Basis**

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund 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.

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

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

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

**3. Financial Statement Presentation**

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**E. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and cash equivalents are defined as demand deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less. The District has a policy of central cash management for all funds.

**2. Investments**

Investments are stated at fair market value with original maturities of greater than three months.

**3. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. All service revenues become a lien on property if not paid. No allowance is recorded at December 31, 2009, as all accounts are considered to be collectible.

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**4. Prepaid Expenses**

Prepaid expenses are amounts paid in the current year for expenses related to subsequent years.

**5. Interfund Receivables and Payables**

Balances at year-end between funds are reported as “due to / from other funds” in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as “internal balances” in the government-wide financial statements.

**6. Capital Assets**

Capital assets, which include the water system, sewer collection system, activity center and the related improvements and equipment, are reported in the financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed.

Capital assets are depreciated using the straight-line method over estimated useful lives of 3 to 40 years.

**7. Compensated Absences**

The District has adopted a policy regarding compensated absences. It is the policy of the District to provide paid leave time for vacation, sick time, and holiday pay. To be eligible, the employee must be a full-time, permanent employee who has completed a six month probationary period. Qualified employees accumulate paid leave at a rate of 192 hours a year. Qualified employees can also accumulate longevity pay at the rate of 8 hours per year for the first ten years of service and 4 hours a year for each year of service from eleven to thirty years. Paid leave time may accumulate up to 240 hours. Any hours in excess of 240 can be disposed of by: 1) using it as vacation, 2) converting it to retirement at 80%, 3) being paid for the excess at a rate of 80%, or 4) being paid a maximum accumulation on termination of 100% up to 240 hours.



**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**8. Long-term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of the governmental fund. The remaining portion of such obligations is reported in the governmental activities column of the government-wide financial statements. Long-term obligations for proprietary funds are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**G. Comparative Data and Reclassifications**

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The proprietary funds were adopted on a non-GAAP budgetary basis and have been reconciled to a GAAP basis below:

	<b>Water and Sewer Fund</b>	<b>Activity Center Fund</b>
Excess (deficiency) of revenues over expenditures	\$ (562,532)	16,444
Reconciliation to GAAP basis:		
Capital outlay	926,001	-
Depreciation	(298,891)	(57,676)
Debt payments	47,100	-
Transfers of assets to governmental activities	(211,923)	-
Change in net assets - GAAP basis	<u>\$ (100,245)</u>	<u>(41,232)</u>

Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2009.

1. For the 2009 budget year, prior to August 25, 2008, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The District did not certify a mill levy for the year 2009.
3. Prior to December 15, 2008, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

**B. TABOR Amendment**

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

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

The District believes its enterprise funds also qualify as enterprises as defined in the amendment and are therefore exempt from the provisions of the amendment. The District also believes that as its governmental fund is a conservation trust fund, it is also exempt from the provisions of the amendment. The District's management believes that it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to judicial interpretation.

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**III. Detailed Notes on All Funds**

**A. Deposits**

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the Town's interest-bearing deposits at each financial institution. Non-interest bearing deposits are fully insured by the FDIC. Interest-bearing deposit balances over \$250,000 are collateralized as required by PDPA. At year end, the District had the following investments and maturities:

<u>Type</u>	<u>Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Petty cash	Not Rated	667	667	-
Checking	Not Rated	14,372	14,372	-
Certificates of Deposits	Not Rated	12,276	12,276	
<i>Investments:</i>				
Certificates of Deposits	Not Rated	2,225,008	2,225,008	-
		<u>\$ 2,252,323</u>	<u>2,252,323</u>	<u>-</u>

**Interest Rate Risk,** As a means of limiting its exposure to interest rate risk, the District policy is to invest eligible investments and institutions to diversify its investments to match maturities with liquidity needs.

**Credit Risk,** State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and local government investment pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

**Concentration of Credit Risk,** The District diversifies its investments by security type and institution.

Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**B. Receivables**

Receivables as of year-end for the District's funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>Water and Sewer</u>	<u>Activity Center</u>	<u>Total</u>
Receivables:			
Service fees	\$ 96,260	-	96,260
Less: allowance for uncollectibles	-	-	-
Net receivables	<u>\$ 96,260</u>	<u>-</u>	<u>96,260</u>

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 55,538	746,487	(775,323)	26,702
Total Capital Assets, Not Being Depreciated	<u>55,538</u>	<u>746,487</u>	<u>(775,323)</u>	<u>26,702</u>
Capital assets, being depreciated:				
Sewer system	3,930,881	252,082	-	4,182,963
Water system	4,711,833	-	-	4,711,833
Building	871,396	523,241	-	1,394,637
Parking lot	174,793	-	-	174,793
Equipment	922,327	285,089	(126,644)	1,080,772
Total Capital Assets Being Depreciated	<u>10,611,230</u>	<u>1,060,412</u>	<u>(126,644)</u>	<u>11,544,998</u>
Less Accumulated Depreciation for:				
Sewer system	(2,193,762)	(136,649)	-	(2,330,411)
Water system	(2,860,557)	(137,640)	-	(2,998,197)
Activity center	(371,596)	(55,976)	-	(427,572)
Building	-	(6,541)	-	(6,541)
Equipment	-	(10,728)	-	(10,728)
Total Accumulated Depreciation	<u>(5,425,915)</u>	<u>(347,534)</u>	<u>-</u>	<u>(5,773,449)</u>
Total Capital Assets Being Depreciated, Net	<u>5,185,315</u>	<u>712,878</u>	<u>(126,644)</u>	<u>5,771,549</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 5,240,853</u>	<u>1,459,365</u>	<u>(901,967)</u>	<u>5,798,251</u>

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**D. Interfund Receivables, Payables, and Transfers**

Interfund receivables and payables as of December 31, 2009 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Public Works Fund	\$ 10,214	-
Conservation Trust Fund	7,537	-
Activity Center Fund	73,512	-
Water and Sewer Fund	-	91,263
<b>Total</b>	<u>\$ 91,263</u>	<u>91,263</u>

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers for 2009 were as follows:

<u>Transferred to:</u>	<u>Transferred from:</u>	<u>Amount</u>	<u>Purpose</u>
Activity Center	Conservation Trust	\$ 10,061	Recreation improvements
Public Works	Water and Sewer	211,923	Transfer assets

The permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. In 2009, the District transferred certain capital assets from the Water and Sewer Fund to the Public Works fund for operations.

**E. Long-term Liabilities – Business-type Activities**

Changes in the District's long-term liabilities are as follows:

	<u>Beginning Balance 1/1/2009</u>	<u>Additions (Deletions)</u>	<u>Ending Balance 12/31/2009</u>	<u>Due Within One Year</u>
Customer deposits	\$ 6,599	(1,941)	4,658	-
Compensated absences	51,949	(733)	51,216	38,412
<b>Total Liabilities</b>	<u>\$ 58,548</u>	<u>(2,674)</u>	<u>55,874</u>	<u>38,412</u>

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**IV. Other Information**

**A. Service Agreement**

The District entered into an agreement with Battlement Mesa Metropolitan District (“Metro”) for water, sewer and management services on December 11, 1991. The prior districts of Battlement Mesa Water and Sanitation District and Saddleback Metropolitan District each had agreements for services with Metro. These agreements were canceled upon the consolidation of the districts. Metro owns and operates the wastewater treatment plant, wastewater collection lines, water treatment plant and water transmission and distribution lines which serve the District.

As part of the election to form the District, the electorate also voted to impose a recreational facilities assessment on each unit and lot (whether or not developed) within the District’s boundaries to fund the operations of the Activity Center. The District billed \$499,175 of these assessments in 2009.

The Service Agreement was amended for 2006 to set forth a procedure by which the duties, functions and assets of Battlement Mesa Metropolitan District may be transferred to the District upon the dissolution of Metro. The court order dissolution of Metro was dated June 26, 2006. The following net assets were received by the District at the dissolution:

Cash and cash equivalents	\$ 1,343,061
Accounts Receivable	14,514
Property, plant and equipment	3,209,635
Accumulated Depreciation	(1,425,141)
Due To BMP - Water Tap Fees	(939,000)
Due to BMP - Sewer Tap Fees	<u>(626,000)</u>
Capital contribution/Residual equity	<u>\$ 1,577,069</u>

**B. Service Agreement – Town of Parachute**

In 2000, Metro entered into an agreement (the “Agreement”) with the Town of Parachute (“Town”) to provide the Town with water and sewer services until December 31, 2002. The Agreement also calls for the Town to pay for tap fees to Metro. The Agreement included two annual renewal terms. In 2003 the Agreement was amended to extend the Agreement until December 31, 2005. Effective in 2007, the District entered into an agreement with Metro to assign the Agreement over to the District. The Agreement was amended again in 2007, between the District and the Town, to extend the term of the Agreement to five years, with an option of renewing the Agreement on an annual basis. In 2009 and 2008, the District recognized sewer charges and tap fees from the Town in the amounts of \$101,630 and \$99,969, respectively.

**C. Service Agreement – Street Sweeping**

In 2009, the District entered into multiple agreements with surrounding entities to provide the sweeping of gravel, dirt and debris from the streets located within these entities. The District charged fees in accordance with these agreements for the services provided

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**IV. Other Information (continued)**

**D. Management Agreement**

In 2009 the District entered into a management agreement with Battlement Mesa Service Association (the "Association") to manage the day-to-day operation of the Association. The agreement commences on January 1, 2010 and ends December 31, 2010.

**E. Retirement Plan**

District employees are eligible to participate in a deferred compensation plan created in accordance with Internal Revenue Code section 457 (the "Deferred Compensation Plan"). The Deferred Compensation Plan, which is administered by Lincoln Life, allows employees the opportunity to defer a portion of their salary until future years. All compensation deferred under the Deferred Compensation Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the participants and their beneficiaries. Amounts contributed to the Deferred Compensation Plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

Participants may elect to defer any percentage of their annual compensation, provided that the total annual contribution does not exceed limitations established by the Internal Revenue Service. The District matches up to the first 5% of employee contributions.

The contributions for 2009 were \$71,319 by the employees and \$30,690 by the District.

**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 omissions; and general liability. The District carries commercial coverage for these risks and does not expect claims to exceed their coverage. There have been no reductions in coverage from 2008 to 2009 and settlements have not exceeded coverage in the past year.

**G. Contingencies - Claims**

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2009.

**H. Economic Dependency**

The District derived approximately 49% of its service revenues and its recreation assessment fees from billings to Battlement Mesa Partners during 2009.

**Consolidated Metropolitan District  
Notes to the Financial Statements  
December 31, 2009  
(Continued)**

**IV. Other Information (continued)**

**I. Prepaid Tap Fees**

As part of the Service Agreement with Metro the District has assumed a liability for prepaid tap fees.

Metro had entered into agreement with BMP by which Metro's Revenue Bonds were forgiven in exchange for a specified number of prepaid water and sewer tap equivalents at the value of the Water and Sewer Bonds at December 31, 2005 of \$1,566,956. The District acknowledges that it reviewed this agreement to the extent desired and that it shall honor and assume all obligations there under said agreement as successor to Metro.

Changes to prepaid tap fees after assumption by the District are listed below:

	<b>Beginning Balance 1/01/2009</b>	<b>Additions (Deletions)</b>	<b>Ending Balance 12/31/2009</b>
Prepaid water taps	\$ 366,090	(29,460)	336,630
Prepaid sewer taps	290,600	(17,640)	272,960
<b>Total Liabilities</b>	<b>\$ 656,690</b>	<b>(47,100)</b>	<b>609,590</b>

**J. Subsequent Events**

**1. Name Change**

Effective January 1, 2010, the District changed its name to Battlement Mesa Metropolitan District.

**2. Evaluation**

Management has evaluated subsequent events through June 24, 2010, the date these financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Consolidated Metropolitan District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Conservation Trust Fund**  
**For the Year Ended December 31, 2009**  
**(With Comparative Actual Amounts for 2008)**

	2009		Variance Positive (Negative)	2008
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Lottery distributions	9,000	10,061	1,061	10,517
Interest	50	50	-	100
<b>Total Revenues</b>	9,050	10,111	1,061	10,617
<b>Other Financial Sources (Uses):</b>				
Interfund transfers	(15,000)	(10,061)	(4,939)	(8,500)
<b>Total Other Financial Sources (Uses):</b>	(15,000)	(10,061)	(4,939)	(8,500)
<b>Net Changes in Fund Balance</b>	(5,950)	50	(3,878)	2,117
<b>Fund Balance - Beginning</b>	-	7,487	7,487	5,369
<b>Fund Balance - Ending</b>	(5,950)	7,537	3,609	7,486

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

**SUPPLEMENTARY INFORMATION**

**Consolidated Metropolitan District**  
**Schedule of Revenues and Expenditures**  
**Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis**  
**Water and Sewer Fund**  
**For the Year Ended December 31, 2009**  
**(With Comparative Actual Amounts for 2008)**

	<u>2009</u>		<u>2008</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Water sales	1,018,500	1,054,213	35,713	1,005,436
Sewer service charges	710,000	714,173	4,173	680,961
Charges for service	25,000	42,403	17,403	32,854
Interest income	105,000	50,270	(54,730)	66,711
Grant revenue	200,745	260,651	59,906	93,470
System development fees	108,000	-	(108,000)	98,300
Tap fees	100,000	2,980	(97,020)	180,740
<b>Total Revenues</b>	<u>2,267,245</u>	<u>2,124,690</u>	<u>(142,555)</u>	<u>2,158,472</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Accounting and audit	13,000	11,696	1,304	11,110
Contract labor and administrative	17,500	17,627	(127)	36,599
Insurance	49,000	48,372	628	41,486
Legal	17,500	17,683	(183)	22,894
Office lease	29,400	29,400	-	27,796
Office supplies, postage, and miscellaneous	54,100	52,557	1,543	52,354
Salaries, benefits and taxes	849,900	798,722	51,178	739,367
Tap fees	-	47,100	(47,100)	-
<b>Water &amp; Sewer Plants:</b>				
Repairs and maintenance	462,000	471,480	(9,480)	394,979
Utilities	318,000	239,078	78,922	277,018
Sewer processing charges	36,000	26,543	9,457	39,791
Water purchases	5,000	963	4,037	2,238
<b>Capital outlay:</b>				
Capital outlay	904,115	926,001	(21,886)	305,332
<b>Other:</b>				
Interfund transfers in (out)	113,095	-	113,095	114,239
<b>Total Expenditures</b>	<u>2,868,610</u>	<u>2,687,222</u>	<u>181,388</u>	<u>2,065,203</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(601,365)</u>	<u>(562,532)</u>	<u>38,833</u>	<u>93,269</u>
<b>Reconciliation to GAAP Basis:</b>				
Capital outlay		926,001		298,910
Depreciation		(298,891)		(290,056)
Prepaid tap fees paid to developer		47,100		-
Transfers of assets to business-type activities		(211,923)		-
<b>Change in Net Assets - GAAP Basis</b>		<u>(100,245)</u>		<u>102,123</u>

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

**Consolidated Metropolitan District  
Schedule of Revenues and Expenditures  
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis  
Activity Center Fund  
For the Year Ended December 31, 2009  
(With Comparative Actual Amounts for 2008)**

	<u>2009</u>		<b>Variance Final Budget Positive (Negative)</b>	<u>2008</u>
	<b>Original and Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>				
Recreation assessments	496,715	499,175	2,460	487,490
User fees and other	212,600	233,054	20,454	240,169
Sale of goods	17,000	13,000	(4,000)	14,049
Interfund transfer	128,095	10,061	(118,034)	122,739
<b>Total Revenues</b>	<u>854,410</u>	<u>755,290</u>	<u>(99,120)</u>	<u>864,447</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Accounting and audit	2,200	2,200	-	2,105
Contract labor and administrative	28,200	26,700	1,500	23,700
Insurance	21,000	13,154	7,846	18,450
Legal	1,500	3,097	(1,597)	5,767
Miscellaneous	1,000	919	81	1,696
Office lease and utilities	150,000	106,855	43,145	123,134
Office supplies, postage, and miscellaneous	23,600	17,916	5,684	14,226
Salaries and benefits	459,010	419,171	39,839	402,761
<b>Activity Center:</b>				
Cost of goods sold	8,000	6,894	1,106	6,739
Pool expense	12,000	14,072	(2,072)	4,895
Program expense	15,000	11,421	3,579	20,562
Repairs and maintenance	129,900	113,793	16,107	125,068
<b>Capital outlay:</b>				
Capital outlay	3,000	2,654	346	45,057
<b>Total Expenditures</b>	<u>854,410</u>	<u>738,846</u>	<u>115,564</u>	<u>794,160</u>
<b>(Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>16,444</u>	<u>16,444</u>	<u>70,287</u>
<b>Reconciliation to GAAP Basis:</b>				
Capital outlay		-		41,364
Depreciation		(57,676)		(55,047)
<b>Change in Net Assets - GAAP Basis</b>		<u>(41,232)</u>		<u>56,604</u>

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

**Consolidated Metropolitan District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Public Works Fund**  
**For the Year Ended December 31, 2009**  
**(With Comparative Actual Amounts for 2008)**

	<b>2009</b>		<b>Variance Positive (Negative)</b>	<b>2008</b>
	<b>Original and Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>				
Charges for service	33,000	14,900	(18,100)	-
<b>Total Revenues</b>	<u>33,000</u>	<u>14,900</u>	<u>(18,100)</u>	<u>-</u>
<b>Expenditures:</b>				
Insurance	1,200	1,200	-	-
Salaries and benefits	17,300	2,612	14,688	-
Repairs and maintenance	14,500	874	13,626	-
<b>Total Expenditures</b>	<u>33,000</u>	<u>4,686</u>	<u>28,314</u>	<u>-</u>
<b>Net Changes in Fund Balance</b>	-	10,214	10,214	-
<b>Fund Balance - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u><u>-</u></u>	<u><u>10,214</u></u>	<u><u>10,214</u></u>	<u><u>-</u></u>

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