

**CONSOLIDATED BELL MOUNTAIN
RANCH METROPOLITAN DISTRICT**

Financial Statements

Year Ended December 31, 2009

with

Independent Auditors' Report

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Governmental Funds Balance Sheet/Statement of Net Assets	1
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	19
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Projects Fund	20
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	21

L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

950 WADSWORTH BLVD.
SUITE 204
LAKEWOOD, COLORADO 80214
TELEPHONE (303) 232 2866
FAX (303) 232-9452
lpgcpa@qwestoffice.net

Independent Auditor's Report

Board of Directors
Consolidated Bell Mountain Ranch Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of Consolidated Bell Mountain Ranch 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 the District. 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 the District, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinions.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 the Consolidated Bell Mountain Ranch Metropolitan District as of December 31, 2009, and the respective changes in financial position 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Consolidated Bell Mountain Ranch Metropolitan District. 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.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
February 16, 2010

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
December 31, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS						
Cash and investments	\$ 23,065	\$ -	\$ 2,804	\$ 25,869	\$ -	\$ 25,869
Cash and investments - restricted	-	668,584	-	668,584	-	668,584
Property taxes receivable - current	1,576	6,709	-	8,285	-	8,285
Property taxes receivable - deferred	267,658	1,139,669	-	1,407,327	-	1,407,327
Accounts receivable - other	3,300	-	-	3,300	-	3,300
Prepaid insurance	5,940	-	-	5,940	-	5,940
Capital assets, net of depreciation	-	-	-	-	10,906,927	10,906,927
Total Assets	<u>301,539</u>	<u>1,814,962</u>	<u>2,804</u>	<u>2,119,305</u>	<u>10,906,927</u>	<u>13,026,232</u>
LIABILITIES						
Accounts payable	\$ 24,894	\$ -	\$ -	\$ 24,894	-	24,894
Deferred property taxes	267,658	1,139,669	-	1,407,327	-	1,407,327
Accrued interest on bonds	-	-	-	-	118,550	118,550
Long-term liabilities						
Due within one year	-	-	-	-	360,000	360,000
Due in more than one year	-	-	-	-	15,933,394	15,933,394
Total Liabilities	<u>292,552</u>	<u>1,139,669</u>	<u>-</u>	<u>1,432,221</u>	<u>16,411,944</u>	<u>17,844,165</u>
FUND BALANCE/NET ASSETS						
Reserved for:						
Emergencies	7,542	-	-	7,542	(7,542)	-
Debt service	-	675,293	-	675,293	(675,293)	-
Capital projects	-	-	2,804	2,804	(2,804)	-
Unreserved	<u>1,445</u>	<u>-</u>	<u>-</u>	<u>1,445</u>	<u>(1,445)</u>	<u>-</u>
Total Fund Balances	<u>8,987</u>	<u>675,293</u>	<u>2,804</u>	<u>687,084</u>	<u>(687,084)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 301,539</u>	<u>\$ 1,814,962</u>	<u>\$ 2,804</u>	<u>\$ 2,119,305</u>		
Invested in capital assets net of related debt					(5,386,467)	(5,386,467)
Restricted for:						
Emergencies					7,542	7,542
Debt service					556,743	556,743
Capital projects					2,804	2,804
Unrestricted					<u>1,445</u>	<u>1,445</u>
Total Net Assets (Deficit)					<u>\$ (4,817,933)</u>	<u>\$ (4,817,933)</u>

The notes to the financial statements are an integral part of these statements.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 10,077	\$ -	\$ -	\$ 10,077	\$ -	\$ 10,077
District management	25,301	-	-	25,301	-	25,301
Engineering	167	-	-	167	-	167
Insurance	5,925	-	-	5,925	-	5,925
Landscape maintenance	56,019	-	-	56,019	-	56,019
Legal	36,584	-	-	36,584	-	36,584
Legal - water	27,841	-	-	27,841	-	27,841
Miscellaneous expenses	5,600	-	-	5,600	-	5,600
Open space maintenance	4,480	-	-	4,480	-	4,480
Snow plowing	38,451	-	-	38,451	-	38,451
Street maintenance	38,349	-	-	38,349	-	38,349
Trail maintenance	2,920	-	-	2,920	-	2,920
Treasurer's fees	4,116	17,526	-	21,642	-	21,642
Utilities	1,021	-	-	1,021	-	1,021
Extraordinary street repairs	-	-	28,209	28,209	(28,209)	-
Depreciation expense	-	-	-	-	650,628	650,628
Bond interest expense - Series 1999A	-	486,606	-	486,606	-	486,606
Bond principal - Series 1999B	-	190,000	-	190,000	(190,000)	-
Bond interest expense - Series 1999B	-	211,294	-	211,294	(1,728)	209,566
Bond principal - Series 2003A	-	110,000	-	110,000	(110,000)	-
Bond interest expense - Series 2003A	-	286,375	-	286,375	(1,071)	285,304
Paying agent fees	-	450	-	450	-	450
Total Expenditures	<u>256,851</u>	<u>1,302,251</u>	<u>28,209</u>	<u>1,587,311</u>	<u>319,620</u>	<u>1,906,931</u>
GENERAL REVENUES						
Property taxes	273,405	1,164,139	-	1,437,544	-	1,437,544
Specific ownership taxes	20,455	87,095	-	107,550	-	107,550
Interest income	10,833	15,965	-	26,798	-	26,798
Other Income	2,755	-	-	2,755	-	2,755
Conservation trust fund	4,082	-	-	4,082	-	4,082
Total General Revenues	<u>311,530</u>	<u>1,267,199</u>	<u>-</u>	<u>1,578,729</u>	<u>-</u>	<u>1,578,729</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	54,679	(35,052)	(28,209)	(8,582)	(319,620)	(328,202)
OTHER FINANCING SOURCES (USES)						
Transfer (to) other funds	(30,000)	-	-	(30,000)	30,000	-
Transfer from other funds	-	-	30,000	30,000	(30,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	24,679	(35,052)	1,791	(8,582)	8,582	-
CHANGE IN NET ASSETS					(328,202)	(328,202)
FUND BALANCE/NET ASSETS - BEGINNING OF YEAR	<u>(15,692)</u>	<u>710,345</u>	<u>1,013</u>	<u>695,666</u>	<u>(5,185,397)</u>	<u>(4,489,731)</u>
FUND BALANCE/NET ASSETS - END OF YEAR	<u>\$ 8,987</u>	<u>\$ 675,293</u>	<u>\$ 2,804</u>	<u>\$ 687,084</u>	<u>\$ (5,505,017)</u>	<u>\$ (4,817,933)</u>

The notes to the financial statements are an integral part of these statements.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2009

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 273,626	\$ 273,405	\$ (221)
Specific ownership taxes	24,626	20,455	(4,171)
Interest income	1,500	10,833	9,333
Other Income	-	2,755	2,755
Conservation trust fund	<u>4,000</u>	<u>4,082</u>	<u>82</u>
 Total Revenues	 <u>303,752</u>	 <u>311,530</u>	 <u>7,778</u>
 EXPENDITURES			
Accounting and audit	10,500	10,077	423
District management	30,000	25,301	4,699
Engineering	12,000	167	11,833
Insurance	6,300	5,925	375
Landscape maintenance	40,000	56,019	(16,019)
Legal	35,000	36,584	(1,584)
Legal - water	10,000	27,841	(17,841)
Miscellaneous expenses	2,000	5,600	(3,600)
Open space maintenance	15,000	4,480	10,520
Snow plowing	30,000	38,451	(8,451)
Street maintenance	40,000	38,349	1,651
Trail maintenance	15,000	2,920	12,080
Treasurer's fees	4,104	4,116	(12)
Utilities	1,500	1,021	479
Contingency	31,627	-	31,627
Emergency reserve	<u>7,542</u>	<u>-</u>	<u>7,542</u>
 Total Expenditures	 <u>290,573</u>	 <u>256,851</u>	 <u>33,722</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 13,179	 54,679	 41,500
 OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>(30,000)</u>	 <u>(30,000)</u>	 <u>-</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	 (16,821)	 24,679	 41,500
 FUND BALANCE - BEGINNING OF YEAR	 <u>16,821</u>	 <u>(15,692)</u>	 <u>(32,513)</u>
 FUND BALANCE - END OF YEAR	 <u>\$ -</u>	 <u>\$ 8,987</u>	 <u>\$ 8,987</u>

The notes to the financial statements are an integral part of these statements.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2009

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Consolidated Bell Mountain Ranch Metropolitan District, located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on January 4, 1999, as a quasi-municipal organization established under the State of Colorado Special District Act. The District consists of approximately 2,040 acres, containing 305 residential lots, space for limited commercial and industrial development, and parks, open space and arterial streets in the central portion of Douglas County. The District is comprised of the former Bell Mountain Ranch Phase II, Phase III, and Bell Mountain Ranch Park and Recreation Metropolitan Districts ("Predecessor Districts"). The District was established to provide water, sanitation, street improvement, safety protection services, television relay, transportation, mosquito control and park and recreation improvements that benefit the citizens of the District. The District's primary revenues are property taxes and improvement fees. The District is governed by an elected Board of Directors.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units as defined by the Governmental Accounting Standards Board (GASB), Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

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

The District is not financially accountable for any other organization.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the statement of net assets and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net assets reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net assets.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 1: Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

As a general rule, the effect of interfund activity has been eliminated from the statements of net assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2009, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Interfund Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Assets.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 1: Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical or estimated historical cost if purchased or constructed. 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 assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Capital improvements	10 - 40 years
----------------------	---------------

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 1: Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, government funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management. The District considers all unreserved fund balance to be "reserves" for future operations or capital replacements as defined by Article X, Section 20 of the Constitution of the State of Colorado (see Note 6).

Emergency Reserves have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. \$7,542 of the General Fund balance has been reserved in compliance with this requirement.

The reserved fund balance in the Debt Service Fund in the amount of \$675,293 is reserved for the payment of the Long Term Debt (see Note 4).

The reserved fund balance in the Capital Projects Fund in the amount of \$2,804 is reserved for capital improvements within the District.

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

Note 2: Cash and Investments

As of December 31, 2009, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 25,869
Cash and investments – Restricted	<u>668,584</u>
Total	<u>\$ 694,453</u>

Cash and investments as of December 31, 2009 consist of the following:

Deposits with financial institutions	\$ 25,869
Community Banks of Colorado	511,758
Investments – Federated Treasury Obligation – Money Market	<u>156,826</u>
	<u>\$ 694,453</u>

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 2: Cash and Investments (continued)

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2009, the District's cash deposits had a bank balance of \$537,318 and a carrying balance of \$537,627.

The District does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has not adopted a formal investment policy, however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Money Market Mutual Fund

Federated Treasury Obligations Class D Corporate Trust Fund invests in U.S. Treasury Obligations, which is rated AAAM by Standard and Poor's.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 2: Cash and Investments (continued)

Restricted Cash

Restricted cash includes a Reserve fund, established under the terms of a bond resolution for the Series 1999 \$8,055,000 General Obligation Limited Tax Refunding Bonds, the Series 1999B \$3,450,000 General Obligation Limited Tax Bonds and the Series 2003 Subordinate General Obligation Bonds in the amount of \$668,584 (See Note 3).

As of December 31, 2009, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federated Treasury Obligations Class D	Weighted average Under 60 days	\$ <u>156,826</u>

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2009, is as follows:

\$8,055,000 General Obligation Limited Tax Refunding Bonds Series 1999

On March 8, 1999, the District issued \$8,055,000 of General Obligation Limited Tax Refunding Bonds Series 1999 dated March 1, 1999 for the purpose of (i) refunding certain general obligation and revenue bonds issued by the Predecessor Districts; (ii) to reimburse the Developer for amounts expended by the Developer in the construction of infrastructure improvements on behalf of the Predecessor Districts; (iii) funding a reserve fund for the Bonds; and, (iv) paying other costs in connection with the bonds. The bonds bear interest at the rate of 6.625%, payable semiannually on each May 15 and November 15, commencing on May 15, 1999. The bonds are subject to a mandatory sinking fund redemption commencing on November 15, 2000. The Bonds are subject to an early redemption at the option of the District commencing November 15, 2009 and on any date thereafter upon payment of par, accrued interest and a redemption premium as follows:

<u>Redemption date</u>	<u>Premium</u>
November 15, 2009 through November 14, 2010	2%
November 15, 2010 through November 14, 2011	1%
November 15, 2011 thereafter	0%

The 1999 Bonds are secured by Pledged Revenues including a limited mill levy, interest earnings, and improvement fees, rates, fees, tolls, and charges for the use of District facilities.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 3: Long-Term Debt (continued)

\$3,450,000 General Obligation Limited Tax Bonds Series 1999B

On November 30, 1999, the District issued \$3,450,000 of General Obligation Limited Tax Bonds Series 1999B for the purpose of the construction of certain infrastructure improvements in the District. The bonds bear interest at the rate of 7.375%, payable semiannually on each May 15 and November 15, commencing on May 15, 2000. The bonds are subject to a mandatory sinking fund redemption commencing on November 15, 2000. The Bonds are subject to an early redemption at the option of the District commencing November 15, 2009 and on any date thereafter upon payment of par, accrued interest and a redemption premium as follows:

<u>Redemption date</u>	<u>Premium</u>
November 15, 2009 through November 14, 2010	2%
November 15, 2010 through November 14, 2011	1%
November 15, 2011 thereafter	0%

The 1999B Bonds are secured by Pledged Revenues including a limited mill levy. In addition to these bonds, a portion of the debt service on the prior bonds is also to be paid from the limited mill levy.

\$3,970,000 Subordinate General Obligation Limited Tax Bonds Series 2003

On September 30, 2003, the District issued \$3,970,000 of Subordinate General Obligation Limited Tax Bonds Series 2003 for the purpose of refunding the District's \$2,510,000 Series 2002 Bonds and to reimburse the Developer of the District for the cost of acquisition, construction and completion of public infrastructure improvements. The bonds are subordinate to the Senior Bonds issued by the District in the outstanding principal amount of \$10,745,000. The bonds are term bonds and bear interest at the rate of 7.900%, payable annually on each November 15, commencing on November 15, 2004. The bonds are subject to a mandatory sinking fund redemption commencing on November 15, 2004. The Bonds are subject to an early redemption at the option of the District, as a whole or in integral multiples of \$1,000, commencing November 15, 2009 and on any date thereafter upon payment of par, accrued interest and a redemption premium as follows:

<u>Redemption date</u>	<u>Premium</u>
November 15, 2009 through November 14, 2010	3%
November 15, 2010 through November 14, 2011	2%
November 15, 2011 through November 14, 2012	1%
November 15, 2012 thereafter	0%

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 3: Long-Term Debt (continued)

\$3,970,000 Subordinate General Obligation Limited Tax Bonds Series 2003 (continued)

The 2003 Subordinate Bonds are secured by Pledged Revenues including a limited mill levy presently at 63.869 mills adjusted for any changes in the ratio of actual valuation to assessed valuation (known as the Gallagher Amendment). The bonds are additionally secured by a reserve fund in the amount of \$156,826 (See Note 2).

The following is an analysis of changes in long-term debt for the period ending December 31, 2009:

	<u>Balance</u> <u>01-01-09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-09</u>	<u>Current</u> <u>Portion</u>
Series 1999 - \$8,055,000 General Obligation Refunding Bonds	\$ 7,345,000	\$ -	\$ -	\$ 7,345,000	\$ -
Series 1999B - \$3,450,000 General Obligation and Improvement Bonds	2,865,000	-	190,000	2,675,000	225,000
Series 2003 - \$3,970,000 Subordinate General Obligation Bonds	3,625,000	-	110,000	3,515,000	135,000
<u>Consolidation Agreement</u> Improvement Funding Agreements *	2,349,117	-	-	2,349,117	-
Operation Funding Agreements *	409,277	-	-	409,277	-
	<u>\$ 16,593,394</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 16,293,394</u>	<u>\$ 360,000</u>

* See Note 5 for discussions related to the Consolidation Agreement.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 3: Long-Term Debt (continued)

The following is a summary of the combined annual long-term debt principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 360,000	\$ 961,572	\$ 1,321,572
2011	390,000	934,314	1,324,314
2012	455,000	904,944	1,359,944
2013	490,000	870,848	1,360,848
2014	570,000	834,459	1,404,459
2015-2019	4,030,000	3,451,488	7,481,488
2020-2024	5,840,000	1,682,786	7,522,786
2025	1,400,000	92,750	1,492,750
	<u>\$ 13,535,000</u>	<u>\$ 9,733,161</u>	<u>\$ 23,268,161</u>

Debt Authorization

As of December 31, 2009, the District had remaining voted debt authorization of approximately \$2,040,000. The District has not budgeted to issue any new debt during 2010. Per the District's Service Plan, the District can not issue debt in excess of \$17,515,000.

Note 4: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2009 follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>01-01-09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-09</u>
<u>Capital assets being depreciated:</u>				
Capital improvements	\$ 16,662,960	\$ 28,209	\$ -	\$ 16,691,169
Total capital assets:	16,662,960	28,209	-	16,691,169
Accumulated Depreciation	(5,133,614)	(650,628)	-	(5,784,242)
Net capital assets being depreciated:	<u>11,529,346</u>	<u>(622,419)</u>	<u>-</u>	<u>10,906,927</u>
Government type assets, net	<u>\$ 11,529,346</u>	<u>\$(622,419)</u>	<u>\$ -</u>	<u>\$ 10,906,927</u>

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 5: Consolidation Agreement

The District and Bell Mountain Ranch Associates, L.P. (“Developer”) entered into a Consolidation Agreement dated May 1, 2002, as part of the consideration for issuing \$2,510,000 Subordinate General Obligation Limited Tax Bonds in 2002 (subsequently refunded in 2003). As of May 1, 2002, previous Improvement Funding Agreements and Operation Funding Agreements (collectively “Funding Agreements”) were terminated. The Consolidation Agreement quantifies the amount of the District’s conditional obligation to reimburse the Developer for prior advances made pursuant to the terminated Funding Agreements.

As part of the settlement of the claims referenced in Note 8, the District and the Developer effective as of March 2010 terminated the Consolidation Agreement and agreed that the District’s conditional reimbursement obligations have been terminated.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary of benefit increases.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool ("Pool") is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. 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.

Note 8: Emergency Interconnect and Easement Agreement

On September 4, 2001, Bell Mountain Water Co., L.P., a Colorado limited liability partnership ("BMW"), Bell Mountain Water District Providers, L.L.C., a Colorado limited liability company ("Water Company"), and the District entered into an Emergency Interconnect and Easement Agreement ("Original Agreement"). The Original Agreement granted to BMW and Water Company certain blanket easements (to be superseded by specific easements) for the construction of a proposed water well and water transmission system within the Bell Mountain Ranch Subdivision, in exchange for the District having the right to connect the water distribution system serving the Bell Mountain Ranch community to the proposed Water Company or BMW water system, if and when such proposed water system was ever constructed. The interconnection, however, is limited to use only in the event of an emergency that prevents the water distribution system serving the Bell Mountain Ranch community from supplying water to the residents and properties located within that community.

Silver Peaks Metropolitan District has succeeded to the interest of BMW and Water Company's rights and obligations under the Original Agreement. On May 4, 2004, the Original Agreement was modified by a subsequent Emergency Interconnect and Easement Agreement ("Amended Agreement"), which supersedes in part the Original Agreement. The Amended Agreement expands the purpose for which the District may connect the water system currently serving the Bell Mountain Ranch community to the wells and production system that Silver Peaks Metropolitan District is constructing within the Bell Mountain Ranch Subdivision, from domestic nonirrigation to any use, including commercial, domestic, livestock, fire protection and irrigation.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2009

Note 8: Emergency Interconnect and Easement Agreement (continued)

On or about December 29, 2003, the District received written notification from the Bell Mountain Ranch Homeowners Association (“HOA”) that the HOA claims the District lacked the authority to enter into both the Original and Amended Agreements. The District has denied the HOA’s claims.

Subsequent to December 31, 2009, The HOA, the District, BMW and the Water Company as well as Bell Mountain Ranch Associates, LP, the Silver Peaks Metropolitan District and other interested parties have negotiated a complex resolution and settlement of the HOA claims. In addition to entering into a comprehensive settlement agreement, various parties including the District and Silver Peaks entered into an Amended and Restated Emergency Interconnect Agreement, a Ratification and Relinquishment of Easements, and a Supplemental Easement Agreement. These documents taken together clarify the District’s emergency interconnect rights and ratify with certain modifications the easement rights of the Silver Peaks Metropolitan District, its successors and assigns for the construction of water wells and water transmission lines within the Bell Mountain Ranch Subdivision.

Note 9: Regional Facilities Agreement

The District and BMR Metropolitan District (“BMR”) entered into a Regional Facilities Agreement which provides, among other things, that at such time the 305th residence in the District obtains a certificate of occupancy or December 31, 2008, whichever shall first occur, BMR shall convey all of the assets of the water system to the District for ownership, operation and maintenance. In 2008, the District and BMR entered into a Restated and Amended Regional Facilities Agreement. The Restated and Amended Agreement terminated BMR’s obligation to convey all water system assets to the District in exchange for the control of BMR being transferred to the District’s Board. The District’s five board members now also sit on and constitute the Board of Directors of BMR.

Note 10: Interfund and Operating Transfers

The transfer of \$30,000 from the General Fund to Capital Projects Fund was to transfer funds for the purpose of funding street repairs.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2009

Note 11: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and,
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a reduction of long-term liabilities.

SUPPLEMENTAL INFORMATION

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND**

For the Year Ended December 31, 2009

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 1,165,082	\$ 1,164,139	\$ (943)
Specific ownership taxes	104,857	87,095	(17,762)
Interest income	<u>25,000</u>	<u>15,965</u>	<u>(9,035)</u>
 Total Revenues	 <u>1,294,939</u>	 <u>1,267,199</u>	 <u>(27,740)</u>
 EXPENDITURES			
Bond interest expense - Series 1999A	486,606	486,606	-
Bond principal - Series 1999B	190,000	190,000	-
Bond interest expense - Series 1999B	211,294	211,294	-
Bond principal - Series 2003A	110,000	110,000	-
Bond interest expense - Series 2003A	286,375	286,375	-
Paying agent fees	2,500	450	2,050
Treasurer's fees	<u>17,476</u>	<u>17,526</u>	<u>(50)</u>
 Total Expenditures	 <u>1,304,251</u>	 <u>1,302,251</u>	 <u>2,000</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (9,312)	 (35,052)	 (25,740)
 FUND BALANCE - BEGINNING OF YEAR	 <u>720,217</u>	 <u>710,345</u>	 <u>(9,872)</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 710,905</u>	 <u>\$ 675,293</u>	 <u>\$ (35,612)</u>

The notes to the financial statements are an integral part of these statements.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2009

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Extraordinary street repairs	<u>30,918</u>	<u>28,209</u>	<u>2,709</u>
Total Expenditures	<u>30,918</u>	<u>28,209</u>	<u>2,709</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(30,918)	(28,209)	2,709
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(918)	1,791	2,709
FUND BALANCE - BEGINNING OF YEAR	<u>918</u>	<u>1,013</u>	<u>95</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 2,804</u>	<u>\$ 2,804</u>

The notes to the financial statements are an integral part of these statements.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2009

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		Percent Collected to Levied
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2007	\$ 17,730,376	15.000	63.869	\$ 1,398,377	\$ 1,393,306	99.64%
2008	\$ 18,230,350	15.000	63.869	\$ 1,437,809	\$ 1,430,858	99.52%
2009	\$ 18,241,740	15.000	63.869	\$ 1,438,708	\$ 1,437,544	99.92%
Estimated for year ending December 31, 2010	\$ 17,843,860	15.000	63.869	\$ 1,407,327		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.