

Ruedi Shores Metropolitan District

Annual Financial Report

December 31, 2009

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Report of Independent Certified Public Accountants

Members of the Board of Directors
Ruedi Shores Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Ruedi Shores 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's management. Our responsibility is to express an opinion 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 and in accordance with the Colorado Local Government Audit Law. 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 opinion.

The Management's Discussion and Analysis in Section II and Statements of Revenue, Expenditures, and Changes in Fund Balance – Actual and Budget for Debt Service and Capital Projects Funds are not a required part of the basic financial statements but are 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 supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Ruedi Shores Metropolitan District as of December 31, 2009, and the respective changes in financial position and the 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 District's basic financial statements taken as a whole. The accompanying supplemental information 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 District's basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the District's basic financial statements taken as a whole.

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Littleton, Colorado
July 26, 2010



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Ruedi Shores Metropolitan District

Management's Discussion and Analysis December 31, 2009

As management of Ruedi Shores 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 composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

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

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.

The governmental activity of the District is primarily financing the construction, operation, and maintenance of the basic water system within Ruedi Shores. There are no business-type activities within the District.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has three funds, the General Fund, the Debt Service Fund and the Capital Projects Fund, all of which are governmental 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.

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. A reconciliation of the fund balance as reported in the governmental funds to the net assets reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net assets has been provided to facilitate the comparison between governmental funds and governmental activities.

The fund financial statements are contained on pages 3 to 6 of the 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 on pages 7 through 15 of this report.

Supplementary Information. Supplementary information is contained on pages 16 and 17 and provides additional insight into how the District's actual operations compared to the budgeted operations.

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Condensed Financial Information

The following summary shows the District's condensed financial information for 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets:		
Current and other assets	\$ 952,256	\$ 3,292,157
Capital assets, net	1,609,807	71,397
Total Assets	<u>\$ 2,562,063</u>	<u>\$ 3,363,554</u>
Liabilities:		
Current and other liabilities	\$ 384,072	\$ 365,128
Long-term liabilities	2,157,000	3,028,000
Total Liabilities	<u>2,541,072</u>	<u>3,393,128</u>
Net Assets:		
Invested in capital assets, net of related debt	(15,080)	-
Restricted for emergencies	3,732	1,332
Unrestricted	32,339	(30,906)
Total Net Assets	<u>\$ 20,991</u>	<u>\$ (29,574)</u>
Program Revenues:		
Charges for services	\$ 38,061	\$ 15,059
Operating grants and contributions	-	32,680
General Revenues:		
Property taxes	307,860	-
Specific ownership taxes	12,480	-
Investment Income	43,820	25,677
Total Revenues	<u>402,221</u>	<u>73,416</u>
Expenses:		
General government	98,138	36,209
Public works	52,036	9,865
Interest and fees on long-term debt	201,482	56,916
Total Expenses	<u>351,656</u>	<u>102,990</u>
Change in Net Assets	50,565	(29,574)
Net Assets- Beginning	(29,574)	-
Net Assets- Ending	<u>\$ 20,991</u>	<u>\$ (29,574)</u>

Government-wide Financial Analysis. The major activity for both 2009 related to the construction of a new water storage tank and distribution system within the District and the pay down of the bonds using funds left over from the project.

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 funds 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 balance 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 funds reported an ending fund balance of \$508,851. Of this balance, \$2,484 is non-spendable, \$3,732 restricted for emergencies \$247,674 is assigned for debt service and \$225,697 is assigned for the completion of the water system. The remaining \$29,264 is left unassigned and will be held by the District for spending in future years.

Budget variances:

General Fund- The District's general fund expenditures were \$21,909 less than the adopted 2009 budget due to savings in operating costs. Details can be seen on page 6 of the financial statements.

Debt Service Fund- The District's debt service fund expenditures were \$1,981 less than the final 2009 budget. The District was required to amend the original 2009 budget to account for the pay down of the bonds when the project came in under budget. Details can be seen on page 16 of the financial statements.

Capital Projects Fund- The District's capital projects fund expenditures were \$133,055 less than the final 2009 budget due to some of the final work on the system not being completed until 2010. The District was required to amend the original 2009 budget to account for the transfer of funds to the debt service fund for use in paying down of the bonds when the project came in under budget. Details can be seen on page 17 of the financial statements.

Capital assets. At the end of 2009, the District had \$1,609,807 invested in capital assets which consisted of the new water system which was started in 2008 and was substantially complete at the end of 2009. Additional information regarding the capital assets can be seen in Note 4 to the Financial Statements on page 12.

Long-term debts. The District was able to pay down the general obligation bonds during 2009 by \$871,000 due to savings in construction costs of the new system. Additional information related to the District's long-term debt can be found in Note 5 to the Financial Statements on page 12.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robertson & Marchetti, P.C., 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

Basic Financial Statements

Ruedi Shores Metropolitan District
Statement of Net Assets
December 31, 2009

Assets	Governmental Activities
Cash and investments - unrestricted	\$ 137,668
Cash and investments - restricted	472,780
Accounts receivable	15,173
Property taxes receivable	260,368
Prepaid expenses	2,484
Bond issuance costs, net of amortization	63,783
Capital assets, net	1,609,807
Total assets	<u>\$ 2,562,063</u>
Liabilities	
Accounts payable	\$ 119,254
Deferred property taxes	260,368
Accrued bond interest	4,450
Non-current liabilities:	
Due within one year	63,000
Due in more than one year	2,094,000
Total liabilities	<u>2,541,072</u>
Net Assets	
Invested in capital assets, net of related debt	(15,080)
Restricted for emergencies	3,732
Unrestricted	32,339
Total Net Assets	<u>20,991</u>
Total Liabilities and Net Assets	<u>\$ 2,562,063</u>

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

Ruedi Shores Metropolitan District
Statement of Activities
For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 98,138	\$ -	\$ -	\$ -	\$ (98,138)
Public works	52,036	30,225	-	-	(21,811)
Interest and related costs on long term debt	201,482	7,836	-	-	(193,646)
	<u>351,656</u>	<u>38,061</u>	<u>-</u>	<u>-</u>	<u>(313,595)</u>
General revenues:					
Property taxes					307,860
Specific ownership taxes					12,480
Investment income					<u>43,820</u>
Total general revenues					<u>364,160</u>
Change in net assets					50,565
Net assets - beginning of year					<u>(29,574)</u>
Net assets - end of year					<u>\$ 20,991</u>

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

Ruedi Shores Metropolitan District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Assets
December 31, 2009

Assets	General Fund	Debt Service Fund	Capital Projects	Total
Cash and investments - unrestricted	\$ 137,668	\$ -	\$ -	\$ 137,668
Cash and investments - restricted	-	247,083	225,697	472,780
Property taxes receivable	93,266	167,102	-	260,368
Accounts receivable	14,582	591	-	15,173
Prepaid expenses	2,484	-	-	2,484
Total assets	<u>\$ 248,000</u>	<u>\$ 414,776</u>	<u>\$ 225,697</u>	<u>\$ 888,473</u>
Liabilities				
Accounts payable	\$ 119,254	\$ -	\$ -	\$ 119,254
Deferred property taxes	93,266	167,102	-	260,368
Total liabilities	<u>212,520</u>	<u>167,102</u>	<u>-</u>	<u>379,622</u>
Fund Balances				
Non-spendable	2,484	-	-	2,484
Restricted for emergencies	3,732	-	-	3,732
Assigned for debt service	-	247,674	-	247,674
Assigned for capital projects	-	-	225,697	225,697
Unassigned	29,264	-	-	29,264
Total Fund Balances	<u>35,480</u>	<u>247,674</u>	<u>225,697</u>	<u>508,851</u>
Total Liabilities and Fund Balance	<u>\$ 248,000</u>	<u>\$ 414,776</u>	<u>\$ 225,697</u>	<u>\$ 888,473</u>

Total governmental fund balance per above \$ 508,851

Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because:

Other long-term assets and fixed assets are not available to pay for current period expenditures, and therefore, are not reported in the funds.

Capital assets, net	1,609,807
Bond issue costs, net of amortization	63,783

Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:

Bonds payable	(2,157,000)
Accrued interest payable	<u>(4,450)</u>

Net assets of governmental activities	<u>\$ 20,991</u>
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The accompanying notes are an integral part of these financial statements.

Ruedi Shores Metropolitan District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:				
Property taxes	\$ 90,181	\$ 217,679	\$ -	\$ 307,860
Specific ownership taxes	3,656	8,824	-	12,480
Investment income	330	665	42,825	43,820
Water user fees	30,225	7,836	-	38,061
Total General Revenues	<u>124,392</u>	<u>235,004</u>	<u>42,825</u>	<u>402,221</u>
Expenses:				
General government				
Accounting and audit	50,784	-	-	50,784
Director's fees	4,414	-	-	4,414
Treasurer fees	2,709	6,540	-	9,249
Insurance and bonds	3,047	-	-	3,047
Legal and professional fees	5,436	-	-	5,436
Office and other expenses	1,122	9	-	1,131
Public works				
Water operations	19,481	-	-	19,481
Water repairs and maintenance	5,270	-	-	5,270
Debt service				
Bond principal	-	871,000	-	871,000
Bond interest	-	152,006	-	152,006
Bond paydown fees	-	-	51,273	51,273
Capital outlay	-	-	1,565,695	1,565,695
Total expenditures	<u>92,263</u>	<u>1,029,555</u>	<u>1,616,968</u>	<u>2,738,786</u>
Excess (deficiency) of revenues over expenditures	32,129	(794,551)	(1,574,143)	(2,336,565)
Other financing sources/uses:				
Transfers—internal activities	-	735,000	(735,000)	-
Total other financing sources/uses	<u>-</u>	<u>735,000</u>	<u>(735,000)</u>	<u>-</u>
Net change in fund balance	32,129	(59,551)	(2,309,143)	(2,336,565)
Fund balances:				
Beginning of the year	<u>3,351</u>	<u>307,225</u>	<u>2,534,840</u>	<u>2,845,416</u>
End of the year	<u>\$ 35,480</u>	<u>\$ 247,674</u>	<u>\$ 225,697</u>	<u>\$ 508,851</u>

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

Ruedi Shores Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance—total governmental funds \$ (2,336,565)

Governmental funds report capital outlays and conveyances as expenditures. In the statement of activities, capital outlay is not reported as an expenditure; however, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	1,565,695
Depreciation	(27,285)

Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond principal payments	871,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on bonds	1,797
Amortization of bond issuance costs	<u>(24,077)</u>

Change in net assets of governmental activities	<u><u>\$ 50,565</u></u>
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The accompanying notes are an integral part of these financial statements.

Ruedi Shores Metropolitan District
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2009

	Original & Final Budget	Actual	Variance Positive (Negative)
Revenue:			
Property taxes	\$ 90,181	\$ 90,181	\$ -
Specific ownership taxes	4,509	3,656	(853)
Investment income	-	330	330
Water user fees	30,000	30,225	225
Total Revenue	124,690	124,392	(298)
Expenditures:			
General government			
Accounting and audit	47,500	50,784	(3,284)
Directors fees	8,613	4,414	4,199
Treasurer fees	2,705	2,709	(4)
Insurance and bonds	3,000	3,047	(47)
Legal and professional fees	7,500	5,436	2,064
Office and other expenses	750	1,122	(372)
Contingency	2,500	-	2,500
Public works			
Water operations	24,104	19,481	4,623
Water repairs and maintenance	10,000	5,270	4,730
Contingency	7,500	-	7,500
Total Expenditures	114,172	92,263	21,909
Excess Revenue Over (Under)			
Expenditures	10,518	32,129	21,611
Fund Balance—Beginning of year	4,920	3,351	(1,569)
Fund Balance—End of Year	\$ 15,438	\$ 35,480	\$ 20,042

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

Ruedi Shores Metropolitan District

Notes to Financial Statements

December 31, 2009

1. Definition of Reporting Entity

Ruedi Shores Metropolitan District (the District), a quasi-municipal corporation, was organized in June 2008, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District's service area is located in Eagle County, Colorado. The District operates under a Service Plan to overhaul, upgrade, finance and operate the public water supply system and related street repairs.

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.

The District has no employees and contracts for all of its management and professional services.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. Summary of Significant Accounting Policies

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These financial statements include all of the activities of the District. 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 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Ruedi Shores Metropolitan District
Notes to Financial Statements (continued)
December 31, 2009

2. Summary of Significant Accounting Policies (continued)

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 related cash flows. Expenditures for capital outlay are shown as increases in assets and redemption of bonds are recorded as a reduction in liabilities.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital infrastructure.

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 they are needed.

Ruedi Shores Metropolitan District
Notes to Financial Statements (continued)
December 31, 2009

2. Summary of Significant Accounting Policies (continued)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. 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.

Bond Issue Costs

In the government-wide financial statements, bond issuance costs are reported as deferred charges and amortized over the term of related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds are reported in categories based on restrictions of the funds. Amounts reported as non-spendable are for funds already spent to cover operating costs of the ensuing year. Fund balances restricted for emergencies represent the emergency reserve required by TABOR (see Footnote 8). Assignments of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management. All remaining balances are reported as unassigned.

The District considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

Ruedi Shores Metropolitan District
Notes to Financial Statements (continued)
December 31, 2009

3. Cash and Investments

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

	2009
Cash	\$ 366,123
Investments	244,325
Total	\$ 610,448
Reconciliation to Statement of Net Assets:	
Cash and investments - restricted	\$ 137,668
Cash and investments - unrestricted	472,780
Total	\$ 610,448

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 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 \$375,433 and a carrying balance of \$366,123.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those investments which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Ruedi Shores Metropolitan District
Notes to Financial Statements (continued)
December 31, 2009

3. Cash and Investments (continued)

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- Local government investment pools

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

Investment	Maturities	Fair Value
Certificates of deposit	October 2010	\$ 244,325

The certificates of deposit are held at a commercial bank and have an interest rate of 1.74%. There was no rating of these investments available.

Ruedi Shores Metropolitan District
Notes to Financial Statements (continued)
December 31, 2009

4. Capital Assets

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

	Balance December 31, 2008	Additions	Retirements/ Transfers	Balance December 31, 2009
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 71,397	\$ 1,565,695	\$ (1,637,092)	\$ -
Capital assets, being depreciated:				
Water system	<u>-</u>	<u>-</u>	<u>1,637,092</u>	<u>1,637,092</u>
Total Capital assets	<u>71,397</u>	<u>1,565,695</u>	<u>-</u>	<u>1,637,092</u>
Less accumulated depreciation for:				
Water system	<u>-</u>	<u>27,285</u>	<u>-</u>	<u>27,285</u>
Total accumulated depreciation	<u>-</u>	<u>27,285</u>	<u>-</u>	<u>27,285</u>
Capital assets, net	<u>\$ 71,397</u>	<u>\$ 1,538,410</u>	<u>\$ -</u>	<u>\$ 1,609,807</u>

5. Long-Term Liabilities

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2009:

	Balance December 31, 2008	Additions	Payments	Balance December 31, 2009	Due Within One Year
Series 2008, \$3,028,000					
General Obligation Bonds	<u>\$ 3,028,000</u>	<u>\$ -</u>	<u>\$ (871,000)</u>	<u>\$ 2,157,000</u>	<u>\$ 63,000</u>

The detail of the District's long-term debt outstanding at December 31, 2009 is as follows:

Series 2008

On August 15, 2008, the District issued \$3,028,000 in General Obligation bonds (the Bonds) with a 5.02% fixed interest rate. The Bonds are payable from net pledged revenues, including levied property taxes and a portion of specific ownership taxes. For 2009, Ruedi Shores Metropolitan District levied 70.000 mills for debt service. The Bonds are subject to mandatory redemption through December 15, 2028. The Bonds are subject to redemption prior to maturity at the option of the District, with no fee on the first \$40,000 paid off in any give year. Any additional redemptions prior to maturity may be subject to a yield maintenance fee.

Ruedi Shores Metropolitan District
Notes to Financial Statements (continued)
December 31, 2009

5. Long-Term Liabilities (continued)

On December 15, 2009, the District retired a total of \$871,000 of the bonds using funds available due to savings from the construction of the water system. The District paid a yield maintenance fee of \$51,273 related to this paydown.

The payment schedule for the remaining bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 63,000	\$ 108,281	\$ 171,281
2011	66,000	105,119	171,119
2012	70,000	101,806	171,806
2013	75,000	98,292	173,292
2014	79,000	94,527	173,527
2015 - 2019	458,000	409,080	867,080
2020 - 2024	586,000	281,923	867,923
2025 - 2028	<u>760,000</u>	<u>110,239</u>	<u>870,239</u>
Total	<u>\$ 2,157,000</u>	<u>\$ 1,309,267</u>	<u>\$ 3,466,267</u>

Debt Authorization

On May 6, 2008, the District's electors authorized the issuance of indebtedness totaling \$3,028,000, and on August 15, 2008, the District used all of the this authorization to issue the Series 2008 Bonds.

	<u>Authorized May 6, 2008</u>	<u>Authorization Used, Series 2008</u>	<u>Remaining at December 31, 2009</u>
Water improvements	\$ 2,770,000	\$ 2,770,000	\$ -
Street improvements	<u>258,000</u>	<u>258,000</u>	<u>-</u>
Total	<u>\$ 3,028,000</u>	<u>\$ 3,028,000</u>	<u>\$ -</u>

Ruedi Shores Metropolitan District
Notes to Financial Statements (continued)
December 31, 2009

6. Net Assets

The District has net assets consisting of three components – invested in capital assets, net of related debt, restricted for emergencies and unrestricted.

As of December 31, 2009, the District had \$(15,080) invested in capital, net of related debt; \$3,732 restricted for emergencies and unrestricted net assets of \$32,339.

7. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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.

8. Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's 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.

Ruedi Shores Metropolitan District
Notes to Financial Statements (continued)
December 31, 2009

8. Tax, Spending and Debt Limitations (continued)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). At December 31, 2009, the District had \$3,732 in emergency reserves. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or 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.

Supplementary Information

Ruedi Shores Metropolitan District
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:				
Property taxes	\$ 217,679	\$ 217,679	\$ 217,679	\$ -
Specific ownership taxes	10,884	10,884	8,824	(2,060)
Investment income	-	-	665	665
Availability of service fees	-	-	7,836	7,836
Total Revenue	<u>228,563</u>	<u>228,563</u>	<u>235,004</u>	<u>6,441</u>
Expenditures:				
Treasurer fees	6,530	6,530	6,540	(10)
Office and other expenses	2,000	2,000	9	1,991
Bond principal	81,000	871,000	871,000	-
Bond interest	152,006	152,006	152,006	-
Total Expenditures	<u>241,536</u>	<u>1,031,536</u>	<u>1,029,555</u>	<u>1,981</u>
Excess Revenue Over (Under)				
Expenditures	<u>(12,973)</u>	<u>(802,973)</u>	<u>(794,551)</u>	<u>8,422</u>
Other financing sources (uses):				
Transfers - from Capital Projects fund	-	735,000	735,000	-
	-	735,000	735,000	-
Net change	(12,973)	(67,973)	(59,551)	8,422
Fund Balance—Beginning of year	<u>305,225</u>	<u>307,225</u>	<u>307,225</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ 292,252</u>	<u>\$ 239,252</u>	<u>\$ 247,674</u>	<u>\$ 8,422</u>

Ruedi Shores Metropolitan District
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:				
Investment income	\$ 32,528	\$ 50,000	\$ 42,825	\$ (7,175)
Total Revenue	<u>32,528</u>	<u>50,000</u>	<u>42,825</u>	<u>(7,175)</u>
Expenditures:				
Bond paydown fees	25,461	66,250	51,273	14,977
Capital outlay	<u>2,374,539</u>	<u>1,683,750</u>	<u>1,565,695</u>	<u>118,055</u>
Total Expenditures	<u>2,400,000</u>	<u>1,750,000</u>	<u>1,616,968</u>	<u>133,032</u>
Excess Revenue Over (Under)				
Expenditures	<u>(2,367,472)</u>	<u>(1,700,000)</u>	<u>(1,574,143)</u>	<u>125,857</u>
Other financing sources (uses):				
Transfers - to Debt Service Fund	<u>-</u>	<u>(735,000)</u>	<u>(735,000)</u>	<u>-</u>
	<u>-</u>	<u>(735,000)</u>	<u>(735,000)</u>	<u>-</u>
Net change	(2,367,472)	(2,435,000)	(2,309,143)	125,857
Fund Balance—Beginning of year	<u>2,501,125</u>	<u>2,534,840</u>	<u>2,534,840</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ 133,653</u>	<u>\$ 99,840</u>	<u>\$ 225,697</u>	<u>\$ 125,857</u>