

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2009

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO**

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Hiratsuka & Schmitt, L.L.P.
Certified Public Accountants & Consultants

Steven T. Hiratsuka, CPA
Bryan T. Schmitt, CPA, CFP
Don W. Gruenler, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Granby Ranch Metropolitan District
Town of Granby, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Granby Ranch Metropolitan District (the District), Town of Granby, Colorado, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Granby Ranch Metropolitan District, Town of Granby, Colorado, 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.

The Management's Discussion and Analysis on pages i – iii, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary schedule on page 14 and the accompanying financial information presented on page 15 are presented for purposes of additional analysis and are 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.

Hiratsuka & Schmitt, LLP

July 26, 2010
Denver, Colorado

Denver
1873 South Bellaire Street, Suite 1550
Denver, CO 80222
303.295.7077 • (fax) 303.295.6866
www.hiratsukaschmitt.com

Winter Park
P.O. Box 29
79050 U.S. Highway 40
Winter Park, CO 80482
970.726.0322 • (fax) 970.726.0324

MANAGEMENT'S DISCUSSION AND ANALYSIS

Granby Ranch Metropolitan District

Management's Discussion and Analysis December 31, 2009

As management of Granby Ranch 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 comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional supplementary information in addition to the financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

The Governmental Funds Balance Sheet/Statement of Net Assets presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net assets. The Balance Sheet columns present the financial position focusing on short-term available resources and are reported on a modified accrual basis of accounting. The Statement of Net Assets column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. 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 Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities shows how the government's fund balances and net assets changed during the most recent fiscal year. Again, the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's government-wide financial statements can be found on pages 1 & 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 uses fund accounting to ensure and demonstrate compliance with legal requirements. The District currently has two governmental funds, the General Fund and the Debt Service Fund.

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. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

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 4 through 13 of this report.

Government-wide Financial Analysis. A condensed comparative summary of the District's government-wide assets, liabilities, net assets, revenues and expenditures follows:

Granby Ranch Metropolitan District's Statement of Net Assets

	Governmental Activities	
	2009	2008 (Restated)
Assets:		
Current and other assets	\$ 6,273,443	\$ 6,331,231
Total Assets	<u>6,273,443</u>	<u>6,331,231</u>
Liabilities:		
Current and other liabilities	1,062,151	832,712
Long-term obligations payable	25,651,099	24,563,556
Total Liabilities	<u>26,713,250</u>	<u>25,396,268</u>
Net Assets:		
Restricted	4,620,987	4,889,678
Unrestricted	(25,060,488)	(23,954,715)
Total Net Assets	<u>\$ (20,439,501)</u>	<u>\$ (19,065,037)</u>

Granby Ranch Metropolitan District's Statement of Activities

Revenues:		
Program Revenues:		
Operating grants and contributions	\$ 59,614	\$ 103,550
General revenues:		
Taxes	790,958	551,627
Interest and other revenue	47,279	197,995
Total Revenues	<u>897,851</u>	<u>853,172</u>
Expenses:		
General Government	65,647	52,334
Debt Service	993,938	993,938
Intergovernmental	1,212,730	3,042,487
Total Expenses	<u>2,272,315</u>	<u>4,088,759</u>
Change in Net Assets	(1,374,464)	(3,235,587)
Net Assets - Beginning	(19,065,037)	(15,829,450)
Net Assets - Ending	<u>\$ (20,439,501)</u>	<u>\$ (19,065,037)</u>

Overview of the Financial Statements (continued)

Government-wide Financial Analysis (continued)

The District is one taxing district in a district structure which consists of Headwaters Metropolitan District (HMD), the operating district, and seven additional taxing districts, Granby Ranch Metropolitan District Nos. 2-8 (GRMD #2-8). HMD will construct the public infrastructure in Granby Ranch area and the taxing districts (GRMD and GRMD #2-8) will ultimately pay the cost of constructing and operating those improvements. Certain improvements like water and sanitary sewer improvements will be conveyed to the Town of Granby and other improvements like roads, roadway landscaping and drainage improvements will be operated and maintained by HMD. As the taxing districts have the financial ability to issue bonds, they have an obligation to issue such bonds, the proceeds of which will be used to pay the cost of constructing the infrastructure.

During 2009, property taxes were the District's primary revenue source. The District earned \$897,851 in revenue in 2009, which was a little more than the \$853,172 earned in 2008. The assessed value of the District increased from \$11,560,910 in 2008 to \$14,411,930 in 2009, which increased the property taxes earned by the District. Due to this increase, even though the interest revenue and capital facility fee revenues decreased in 2009, the District still earned more revenue in 2009 than in 2008..

Most of the expenses for the District consist of payments made for debt service on the bonds issued in 2006 as well as transfers and accruals for the Capital and Service Obligations owed to HMD. In 2009, District expenses were \$2,272,315, which is less than the restated 2008 expenses of \$4,088,759 since unfunded capital and operational costs of Headwaters was less in 2009 than 2008.

The District has a large deficit net assets balance which is the result of the assets of the community being owned and operated by Headwaters while the debt associated with the construction and operation of those assets stays with Granby Ranch and the other financing districts.

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, unassigned 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 \$4,632,803 which reflects a decrease of \$261,954 during 2009. The District's General Fund earned \$6,790 more than the general fund expenditures during 2009. The Debt Service Fund earned \$268,744 less than debt service expenditures during 2009. The main sources of revenue for the District is property taxes and interest income, and the revenue earned in 2009 from these sources was less than the required debt service payments on the District's 2006 bonds.

Capital assets. As stated above, the infrastructure in Granby Ranch is being constructed by Headwaters Metropolitan District, so there are no capital assets recorded by the District.

Long-term debts. The District has a long-term debt of \$14,725,000 for the bonds that were issued in July 2006 as well as accrued capital and service obligations owed to Headwaters of \$10,926,099. Additional information can be found in the Notes to the Financial Statement on page 8 and 10 of this report.

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

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
GOVERNMENTAL FUNDS - BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	General Fund	Debt Service Fund	Total	Adjustments (Note 6)	Statement of Net Assets
Assets:					
Cash and investments	\$ 37,520	\$ 374,026	\$ 411,546	\$ --	\$ 411,546
Accounts receivable:					
Due from Treasurer	319	4,213	4,532	--	4,532
Taxes	--	953,512	953,512	--	953,512
Sol Vista Metropolitan District	--	--	--	--	--
Restricted investments	--	4,242,536	4,242,536	--	4,242,536
Bond issuance costs Series 2006, net of accumulated amortization	--	--	--	661,623	661,623
Total assets	\$ 37,839	\$5,574,287	\$5,612,126	661,623	6,273,749
Liabilities:					
Due to Headwaters Metropolitan District	\$ 20,811	\$ --	\$ 20,811	\$ --	\$ 20,811
Due to Lot Sale Escrow	5,000	--	5,000	--	5,000
Deferred property taxes	--	953,512	953,512	--	953,512
Accrued interest	--	--	--	82,828	82,828
Long term liabilities:					
Service obligation payable	--	--	--	898,837	898,837
Capital obligation payable	--	--	--	10,027,262	10,027,262
Bonds	--	--	--	14,725,000	14,725,000
Total liabilities	25,811	953,512	979,323	25,733,927	26,713,250
Fund balances/Net assets:					
Restricted for:					
TABOR	212	--	212	(212)	--
Debt service	--	4,620,775	4,620,775	(4,620,775)	--
Unassigned	11,816	--	11,816	(11,816)	--
Total fund balances	12,028	4,620,775	4,632,803	(4,632,803)	--
Total liabilities and fund balances	\$ 37,839	\$5,574,287	\$5,612,126		
Restricted for:					
TABOR				212	212
Debt Service				4,620,775	4,620,775
Unrestricted				(25,060,488)	(25,060,488)
Total net assets (deficit)				\$ (20,439,501)	\$ (20,439,501)

The accompanying notes are an integral part of these statements.

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Debt Service Fund	Total	Adjustments (Note 6)	Statement of Activities
Expenditures/expenses:					
Treasurer's fees	\$ 263	\$ 38,142	\$ 38,405	\$ --	\$ 38,405
Intergovernmental:			--	--	--
Service obligation costs	--	124,620	124,620	58,849	183,469
Capital obligation costs	--	567	567	1,028,694	1,029,261
Amortization of issuance costs	--	--	--	24,967	24,967
Paying agent fees	--	2,275	2,275	--	2,275
Debt service:					
Interest	--	993,938	993,938	--	993,938
Total expenditures/expenses	263	1,159,542	1,159,805	1,112,510	2,272,315
General revenues:					
Property taxes	--	758,097	758,097	--	758,097
Specific ownership taxes	5,402	27,459	32,861	--	32,861
Capital facilities fees	--	18,765	18,765	--	18,765
Contributions from Sol Vista					
Metropolitan District	--	40,849	40,849	--	40,849
Interest income	1,651	45,628	47,279	--	47,279
Total revenues	7,053	890,798	897,851	--	897,851
Change in net assets	6,790	(268,744)	(261,954)	(1,112,510)	(1,374,464)
Beginning of year, as previously reported	5,238	4,889,519	4,894,757	(15,981,254)	(11,086,497)
Prior period adjustment (Footnote 8)	--	--	--	(7,978,540)	(7,978,540)
Beginning of year, restated	5,238	4,889,519	4,894,757	(23,959,794)	(19,065,037)
End of year	\$ 12,028	\$ 4,620,775	\$ 4,632,803	\$(25,072,304)	\$(20,439,501)

The accompanying notes are an integral part of these statements.

GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Amended and Final Budget	Actual	Positive (Negative) Variance
Revenues:				
Property taxes	\$ --	\$ --	\$ --	\$ --
Specific ownership taxes	--	7,383	5,402	(1,981)
Interest	--	600	1,651	1,051
Total revenues	--	7,983	7,053	(930)
Expenditures:				
Current:				
Treasurer's fees	--	6,500	263	6,237
Intergovernmental - Payment of Service Costs	--	--	--	--
Contingency	--	--	--	--
Total expenditures	--	6,500	263	6,237
Excess of revenues over (under) expenditures	--	1,483	6,790	5,307
Fund balance - beginning of year	--	5,238	5,238	--
Fund balance - end of year	\$ --	\$ 6,721	\$ 12,028	\$ 5,307

The accompanying notes are an integral part of these statements.

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
Notes to Financial Statements
December 31, 2009**

1. Summary of significant accounting policies

The accounting policies of Granby Ranch Metropolitan District, (the District), located in the Town of Granby, Colorado, conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The following is a summary of the more significant policies consistently applied in the preparation of the financial statements.

Reporting entity

The District was established November 25, 2003, as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed by an elected Board of Directors. The District was originally named SolVista Metropolitan District #2 and was part of the Sol Vista Golf and Ski Ranch development and overlapped with SolVista Metropolitan District No. 1 which was established in 1999 as Silver Creek Metropolitan District and changed its name on September 6, 2001. On October 23, 2004, the name of the District became Granby Ranch Metropolitan District. The District was formed contemporaneously with Sol Vista Metropolitan District #1, which on October 23, 2004, became Headwaters Metropolitan District (HMD). The Districts were organized to provide services, programs and facilities, including the financing of construction, completion, maintenance and operation of public infrastructure within the Districts' boundaries. Pursuant to the Service Plan, which was approved on July 22, 2003, the District serves as the "Taxing District" while HMD serves as the "Service District". See Note 4 for a detailed description of the Service Plan and other agreements.

As required by US 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 services are contracted.

Basis of presentation

The accompanying financial statements are presented in accordance with GASB Statement No. 34 – Special Purpose Governments, Section Sp20.

The government-wide financial statements (i.e. the balance sheet/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, which are supported by general revenues. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues.

1. **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 the related cash flow.

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 sixty days of the end of the current fiscal period.

The District reports the following governmental funds:

General fund – is the general operating fund of the District. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Debt service fund – accounts for the accumulation of resources for general long-term debt repayment and contractual obligations owed to Headwaters Metropolitan District.

Property taxes

Property taxes are levied on December 15, of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1, of the following year and are payable in two equal installments due February 28, and June 15, if paid in installments, or April 30, with a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the lien will be sold at public auction. Grand County bills and collects the property taxes and remits collections, on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Assets, liabilities and fund equity

Cash and investments

Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest which include: obligations of the United States and certain U.S. government agency securities, general obligation and revenue bonds of U.S. local government entities, bankers acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, guaranteed investment contracts, and local government investment pools.

1. Summary of significant accounting policies (continued)

Assets, liabilities and fund equity (continued)

Fair value of financial instruments

The District's financial instruments include cash and investments, accounts receivable, accounts payable and accrued expenses. 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.

Estimates

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

Intergovernmental revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

2. Stewardship, compliance and accountability

Budgetary information

The District conforms to the following procedures in compliance with Colorado Revised Statutes in establishing the budgetary data reflected in the financial statements:

In the fall of each year, the District Board of Directors prepares a proposed operating budget for the fiscal year commencing the following January 1. The operating budget for the funds includes proposed expenses and the means of financing them.

A public hearing is held at a Board of Directors meeting to obtain taxpayer input. Prior to December 15, the budget is legally enacted through passage of a budget resolution. The 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.

3. Detailed notes concerning the funds

Cash and investments

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

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
Notes to Financial Statements
December 31, 2009**

3. Detailed notes concerning the funds (continued)

Cash and investments (continued)

Statement of net assets:

Cash and investments	\$ 411,546
Restricted investments	<u>4,242,536</u>
Total cash and investments	<u>\$ 4,654,082</u>

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

Investments – SEI Daily Income Fund	\$ 1,052,234
Investments – CSAFE	3,583,836
Investments – Federated Treasury Money Market	<u>18,012</u>
	<u>\$ 4,654,082</u>

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 equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2009, all of the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

Investments

Custodial and concentration of credit risk

The District has not adopted a formal investment policy; however, the District follows Colorado Revised Statutes regarding its investments. Colorado Revised Statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest (see Note 1).

The local government investment pool Colorado Surplus Asset Fund Trust (CSAFE) is rated AAAM by Standard and Poor's. However, as of February 27, 2009, Standard and Poor's placed CSAFE on credit watch. CSAFE was removed from the credit watch list on January 29, 2010. The Federated Treasury Obligations Money Market Fund and SEI Daily Income Fund are also rated AAAM by Standard & Poor's.

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
Notes to Financial Statements
December 31, 2009**

3. Detailed notes concerning the funds (continued)

Long-term debt

The following is an analysis of change in long-term obligations for the year ended December 31, 2009:

	Balance December 31, 2008	Additions	Deletions	Balance December 31, 2009
Bonds:				
General Obligation	\$ 14,725,000	\$ --	\$ --	\$ 14,725,000
Total	\$ 14,725,000	\$ --	\$ --	\$ 14,725,000

2006 Limited Tax General Obligation Bonds – On July 5, 2006, the District issued Limited Tax General Obligation Bonds (the Bonds) in the amount of \$14,725,000, to partially finance the District’s obligations under various intergovernmental agreements. These obligations are primarily related to construction of infrastructure and other various improvements on behalf of, and for the benefit of, residents of the District by other governmental entities. Additionally, proceeds of the Bonds were also used to fund debt service reserves and to finance costs associated with their issuance. The Bonds bear interest at the rate of 6.75%, payable semiannually on June 1 and December 1. The Bonds are subject to mandatory sinking fund redemption beginning annually on December 1, 2010 through 2036. The Bonds are subject to redemption prior to maturity at the option of the District on and after December 1, 2015, at a redemption price equal to their principal amount plus interest accrued thereon to the date of redemption.

Annual debt service requirements to maturity for the bonds are as follows:

	Principal	Interest	Total
2010	\$ 150,000	\$ 993,938	\$ 1,143,938
2011	210,000	983,813	1,193,813
2012	255,000	969,638	1,224,638
2013	185,000	952,425	1,137,425
2014	180,000	939,938	1,119,938
2015-2019	1,505,000	4,447,237	5,952,237
2020-2024	2,020,000	3,885,300	5,905,300
2025-2029	2,995,000	3,069,562	6,064,562
2030-2034	3,940,000	1,948,387	5,888,387
2035-2036	3,285,000	377,325	3,662,325
	\$ 14,725,000	\$ 18,567,563	\$ 33,292,563

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
Notes to Financial Statements
December 31, 2009**

3. Detailed notes concerning the funds (continued)

Debt authorization

In 2003 and 2004, a majority of the qualified electors of the District who voted in the elections authorized the issuance of up to \$256,000,000 in general obligation bonds to finance the improvements as set forth in the Bond Offering Statement. As of December 31, 2009, the amount of debt authorized by the District's electorate but unissued was \$241,275,000 for improvements.

	Amount Authorized	2006 Bonds Issued	Authorized But Unissued
November 2003:			
Streets	\$ 18,500,000	\$ 7,620,000	\$ 10,880,000
Traffic & Safety	600,000	205,000	395,000
Sanitation	6,000,000	2,100,000	3,900,000
Water	11,000,000	4,800,000	6,200,000
Park & Rec	2,500,000		2,500,000
Transportation	1,000,000		1,000,000
Mosquito Control	400,000		400,000
Refunding	40,000,000		40,000,000
IGA	40,000,000		40,000,000
Developer Contributions for Ops	40,000,000		40,000,000
November 2004:			
Park & Rec Facilities (golf & ski) GO Bonds	20,000,000		20,000,000
Park & Rec Facilities (golf & ski) Revenue Bonds	20,000,000		20,000,000
Storm & Sanitary Sewer GO Bonds	4,000,000		4,000,000
Storm & Sanitary Sewer Revenue Bonds	4,000,000		4,000,000
Refunding GO Bonds	24,000,000		24,000,000
Refunding Revenue Bonds	24,000,000		24,000,000
Total	\$ 256,000,000	\$ 14,725,000	\$ 241,275,000

4. Significant agreements

Service Plan - The service plan dated March 2003 was approved by the Town of Granby on July 22, 2003. The service plan contemplated the creation of two separate districts designating Granby Ranch Metropolitan District (GRMD) as the "taxing" district and Headwaters Metropolitan District (HMD) as the "service" district. Under the plan, HMD is to construct, manage and operate public facilities and services throughout the development. GRMD is to produce property taxes and other revenue sufficient to pay the costs of operations and debt service expenditures incurred for the improvement of public infrastructure. The use of a dual district structure provides for the issuance of bonds in a timely manner that is consistent with the construction of development improvements when needed. The service plan also outlined a financial plan for the districts entitling HMD to all taxing district revenues in order to pay all costs associated with the operations and management of the development.

4. Significant agreements (continued)

Intergovernmental Agreement with the Town of Granby - On December 9, 2003, Granby Ranch and Headwaters Metropolitan Districts (acting jointly) entered into an agreement with the Town of Granby in an effort to promote the coordinated development of the Districts. The agreement was amended May 20, 2005 to increase the aggregate bonded debt limit to \$64,000,000. The agreement was further amended April 11, 2006 to outline the street maintenance and transportation mill levy. On February 26, 2008, the Intergovernmental Agreement between the Town of Granby and GRMD, HMD, and Granby Ranch Nos. 2-8 was executed. This IGA superseded and replaced the prior IGA and amendments in their entirety. The agreement states that all infrastructure and improvements will be designated and constructed in accordance with Town standards. As defined by the service plan, HMD has the primary responsibility for meeting the Town's standards. All streets, roadways, traffic and safety protection, transportation, parks and recreation, storm-water drainage, mosquito control and non-potable water facilities are to be owned, maintained, and operated by HMD. The sanitary sewer and potable systems will be conveyed to the Town of Granby or Granby Sanitation District, upon acceptance.

If the Town determines the Districts are not operating or maintaining any Street Improvement in conformity with this agreement, the Town may cure the nonconforming condition and receive reimbursement for related costs from the District.

The agreement limits the aggregate bonded debt amount to \$94,250,000 for the Districts. It also limits the maximum mill levy to 50.000 mills, adjusted for the change in the ratio of actual valuation to assessed valuation from 2003 to the current year. With this adjustment, the mill levy of the District was 51.939 mills in 2009.

Master Intergovernmental Agreements with Headwaters Metropolitan District – On June 1, 2006, the District entered into the District Facilities Construction and Service Agreement with HMD as the "Operating" district and GRMD as the "Taxing" district. This agreement terminated and replaced the Master Intergovernmental Agreement entered into by GRMD and HMD on December 10, 2003. The agreement is to coordinate the financing, processing of construction, and operation and maintenance of the development of public infrastructure in Granby Ranch. The districts are empowered to enter into contracts and agreements with one another to provide intergovernmental services and facilities and the agreement basically provides that HMD will construct the public infrastructure in the Districts and that GRMD and the other taxing districts will ultimately pay the cost of constructing those improvements.

Certain improvements such as water and sanitary sewer improvements will be conveyed to the Town of Granby and other improvements such as roads, roadway landscaping and drainage improvements will be operated and maintained by HMD. The cost of operation and maintenance of the improvements owned by HMD will ultimately be paid by the taxing districts in Granby Ranch. As the taxing districts have the financial ability to issue bonds, they have an obligation to issue bonds, the proceeds of which will be used to pay the cost of constructing the infrastructure.

The consolidated service plan for the additional taxing districts (Granby Ranch Metropolitan Districts Nos. 2 through 8) was approved by the Town of Granby on September 25, 2007. The District's management expects that similar master intergovernmental agreements will be entered into between HMD and the new taxing districts. On September 17, 2008, the First Amended and Restated District Facilities Construction and Service Agreement was entered

4. Significant agreements (continued)

into. It superseded and replaced the prior agreement in its entirety. This new agreement included the additional taxing districts (Granby Ranch Metropolitan Districts Nos. 2 through 8). The combined amounts due to HMD by the taxing districts are \$11,276,416 for capital costs and \$1,080,624 for service costs. Since the majority of the construction to date is for the benefit of the District rather than Districts No. 2 through 8, the District has recorded the majority of these obligations in the amount of \$10,027,262 for capital obligations and \$898,837 for service obligations. During the year ended December 31, 2009, the District paid service obligation payments to HWMD totaling \$124,620 and capital obligation payments totaling \$567.

Intergovernmental Funding Agreement with SolVista Metropolitan District – On June 1, 2006, the District entered into an intergovernmental funding agreement with SolVista Metropolitan District (SVMD) whereby GRMD contributed \$1,212,693 of its 2006 bond proceeds to SVMD which SVMD used to repay its obligation to the SolVista developer. In exchange, SVMD agreed to pay GRMD's Bond Trustee all revenues generated as a result of the of the SVMD mill levy, with the exception of the portion of the specific ownership taxes on motor vehicles imposed by the State of Colorado and net of annual operating costs as defined by the agreement. SVMD agreed to levy 25 mills on all the taxable property within SVMD through 2025 (for collection in 2026). The agreement terminates on the earlier of: (i) the date of which all bonds issued by GRMD have been defeased; or (ii) twenty years after the date on which the 2006 bonds were issued by GRMD. During 2009, SVMD paid \$40,849 to the GRMD bond trustee, pursuant to the agreement.

5. Other information

Commitments and contingencies

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and its legal representatives have disclosed that there are no material outstanding claims against the District at December 31, 2009.

Related parties

During 2009, all the members of the Board of Directors of the District are employees or have substantial business interest with the developer.

Escrow Agreement

The District has entered into an Escrow Agreement with the developer which requires the developer to deposit or cause to be deposited with an escrow agent an amount equal to the lesser of fifteen percent (15%) of the Net Sale Proceeds of any sale or (a) for platted residential lots, \$2,500 per residential unit to be constructed on each platted lot, or (b) for unplatted residential property and residential property platted only in tracts, an amount equal to the pro-rata equivalent of \$5,000 per acre from the net sale proceeds of property sold by the developer, up to an aggregate maximum amount of \$1,500,000. Balances in the escrow account are to be used to fund any shortfall in debt service obligations of the District. This Escrow Agreement terminates when the Debt to Assessed Value Ratio (as defined in the Indenture) is equal to or less than 45%. At such time, any funds in the account will be disbursed to the developer. As of December 31, 2009, the balance in escrow under this agreement is \$812,140.

5. Other information (continued)

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 has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and 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 property, general liability and public official's liability, coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. 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. No distributions were made during the year ended December 31, 2009.

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, and 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 increase 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 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 requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

6. Reconciliation of government-wide financial statements and fund financial statements

The Governmental Funds - Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments have three elements: 1) bond issuance costs have been capitalized and are being amortized over the lives of the related bonds; 2) long-term liabilities, including bonds payable, capital and service obligation payable and accrued interest payable not due and payable in the current period are not reported in the funds; and 3) amounts reported as fund balance have been reclassified for inclusion in Net Assets.

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
Notes to Financial Statements
December 31, 2009**

6. Reconciliation of government-wide financial statements and fund financial statements (continued)

The Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have four elements: 1) amortization expense on the bond issuance costs are not recorded in the fund statements; 2) the repayment of long-term debt (service costs) consumes current financial resources of the District and is recorded in the governmental funds; 3) unfunded capital and service costs are recognized as incurred in the statement of activities; and 4) excess of revenues over expenditures has been reclassified as Change in Net Assets.

7. Subsequent Events

On April 21, 2010, the District issued \$11,119,000 of Subordinate Bonds, the proceeds of which were used to pay off the capital and service obligations owed to Headwaters Metropolitan District. The bonds have an interest rate of 6.75% and a maturity date of December 15, 2049. Per the resolution the proceeds from the bonds will be used as follows:

<u>Purpose</u>	<u>Balance</u>
Streets	\$5,505,822
Traffic and Safety	270,428
Water	2,761,482
Sanitation	1,667,920
Operations and Maintenance	913,348
Total	<u>\$11,119,000</u>

According to the 2006 Funding and Reimbursement Agreement, between Headwaters Metropolitan District and Granby Realty Holdings, LLC, the Developer agreed to advance the District money equal to, in each year, the shortfall amount, for the purpose of funding operation and maintenance expenses of the District and cure amounts owed to the Town. These advances are available to the District through December 31 calendar year until final plats representing residential units equal at least 700 single family equivalents have been recorded for property within the District. As of December 31, 2009, 700 single family equivalents have been recorded, therefore the Developer is no longer required to cover the District's shortfall amounts subsequent to December 31, 2009.

8. Prior Period Adjustment

As outlined in Footnote 4, the District, in conjunction with Granby Ranch Metropolitan Districts No.'s 2 through 8, have an obligation to reimburse Headwaters Metropolitan District for operational and construction costs in excess of currently available funds. As of December 31, 2008, the total owed to Headwaters was \$11,073,327, \$1,860,016 of which had been estimated to be allocated to the District with the remainder being allocated to Granby Ranch Metropolitan Districts No.'s 2 through 8. Based on the actual breakout of the Series 2010 Bonds (see Footnote 7) the actual portion owed by the District totaled \$9,838,556 as of December 31, 2008. Therefore, the beginning net assets of the District have been restated to reflect this \$7,978,540 change in accounting estimate.

OTHER SUPPLEMENTARY INFORMATION

GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Amended and Final Budget	Actual	Positive (Negative) Variance
Revenues:				
Property taxes	\$ 748,541	\$ 748,541	\$ 758,097	\$ 9,556
Specific ownership taxes	44,913	37,530	27,459	(10,071)
Capital facilities fees	62,550	18,765	18,765	-
Contributions from SolVista Metropolitan District	40,849	40,849	40,849	-
Interest income	122,123	62,000	45,628	(16,372)
Total revenues	1,018,976	907,685	890,798	(16,887)
Expenditures:				
Bond interest	993,938	993,938	993,938	--
Paying agent fees	5,000	5,000	2,275	2,725
Intergovernmental - payment of service costs	123,049	130,890	124,620	6,270
Intergovernmental - payment of capital costs	--	567	567	--
Treasurer's fees	37,427	32,090	38,142	(6,052)
Total expenditures	1,159,414	1,162,485	1,159,542	2,943
Excess of revenues over expenditures	(140,438)	(254,800)	(268,744)	(13,944)
Fund balance - beginning of year	4,884,933	4,889,519	4,889,519	--
Fund balance - end of year	\$ 4,744,495	\$ 4,634,719	\$ 4,620,775	\$ (13,944)

**GRANBY RANCH METROPOLITAN DISTRICT
TOWN OF GRANBY, COLORADO
SCHEDULE OF HISTORY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES
COLLECTED
FOR THE YEAR ENDED DECEMBER 31, 2009**

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	All Funds Mills Levied	Property Taxes Total All Funds		Percent Collected To Levied
			Levied	Collected	
2005	\$ 1,698,740	50.000	\$ 84,937	\$ 84,957	100%
2006	2,915,550	50.000	145,778	145,696	100%
2007	6,361,260	50.223	319,482	319,514	100%
2008	11,560,910	50.983	589,410	520,804 *	88%
2009	14,411,930	51.939	748,541	750,328	100%
2010	17,923,150	53.200	953,512		

* During 2008, the County Treasurer deducted abatements of prior year taxes from current tax payments to the District. This is the primary reason for only reporting an 88% collection rate.