NEW ISSUE
BOOK-ENTRY-ONLY
BANK QUALIFIED (SERIES 2009A BONDS ONLY)

RATING: Standard & Poor's: "AAA" (negative outlook)
INSURANCE: Assured Guaranty Corp.
UNDERLYING RATING: Standard & Poor's: "BBB+"
(See "MISCELLANEOUS-Ratings")

Interest on the Taxable Series 2009B Bonds is included in gross income for federal income tax purposes. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax. The City has designated the Series 2009A Bonds as "qualified tax exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Under State of Colorado existing statutes, the Series 2009A Bonds and the Taxable Series 2009B Bonds, and the income therefrom, are exempt from taxation in the State of Colorado, except inheritance, estate, and transfer taxes. See "TAX MATTERS" herein.

$2,440,000
CITY OF FRUITA, COLORADO
SALES AND USE TAX REVENUE BONDS
SERIES 2009A

$10,125,000
CITY OF FRUITA, COLORADO
SALES AND USE TAX REVENUE BONDS
(FEDERALLY TAXABLE-ISSUER SUBSIDY-BUILD AMERICA BONDS)
SERIES 2009B

Dated: Date of Delivery **Due: October 1, as shown on the insider cover**

The Bonds are being issued by the City as fully registered obligations in the denomination of $5,000 or any integral multiple thereof. DTC will act as securities depository for the Bonds, and the Bonds will be registered in the name of Cede & Co., as nominee of DTC. Purchasers of the Bonds will not receive certificates evidencing their ownership interests in the Bonds. As long as DTC or its nominee is the registered owner of the Bonds, payments of principal and interest on the Bonds will be made by the Paying Agent, initially UMB Bank, n.a., Denver, Colorado, directly to DTC, which will remit such payments to Participants in the DTC system for subsequent distribution to the Beneficial Owners. Interest on the Bonds is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2010. Capitalized terms used and not otherwise defined on this cover page are defined in the Introduction to this Official Statement. The Bonds mature, bear per annum interest and are priced as shown on the inside cover.

The Bonds are special, limited revenue obligations of the City payable solely from, and constituting a pledge of and first lien (but not necessarily an exclusive lien) on the Pledged Revenues. The Pledged Revenues consist of: (i) all of the receipts of a City 1.0% Sales and Use Tax, (ii) all moneys on deposit from time-to-time in the Community Center Fund of the City; and (iii) cash subsidy payments received from the United States Treasury with respect to interest on the Taxable Series 2009B Bonds, as more fully described herein. *The Bonds do not constitute a debt or indebtedness within the meaning of the Charter or any constitutional debt limitation or provision, and are not payable in whole or in part from the proceeds of ad valorem property taxes.*

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. ("Assured Guaranty").

ASSURED GUARANTY

The Bonds are being issued to (i) finance the construction of the Project; (ii) fund the Reserve Account; and (iii) pay the costs of issuance of the Bonds.

The Bonds are subject to redemption prior to maturity at the prices and upon the terms set forth herein.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision and should consider carefully the information contained in the section entitled "RISK FACTORS."

The Bonds are offered when, as, and if issued by the City and accepted by the Underwriter named below, subject to the approval of legality and certain other matters by Kutak Rock LLP, as Bond Counsel, and subject to certain other conditions. Kutak Rock LLP has acted as Special Counsel to the City for purposes of assisting the City with the preparation of this Official Statement. Certain legal matters will be passed upon for the City by Edward P. Sands, Esq., as City Attorney. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about November 12, 2009.

George K. Baum & Company

This Official Statement is dated November 9, 2009

MATURITY SCHEDULE

$2,440,000
SERIES 2009A
CUSIP 359430 [1©]

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	CUSIP [1©]	Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	CUSIP [1©]
2011	$25,000	3.000%	1.720%	AA3	2016	$ 60,000	4.000%	3.700%	AF2
2012	25,000	3.000	2.120	AB1	2017	75,000	4.000	3.900	AG0
2013	25,000	3.250	2.560	AC9	2018	100,000	4.250	4.090	AH8
2014	25,000	3.500	3.020	AD7	2019	125,000	4.250	4.240	AJ4
2015	50,000	3.750	3.450	AE5					

$1,930,000 5.750% Term Bond maturing October 1, 2039 Price: 101.880% CUSIP: 359430 AM7 [1©]

MATURITY SCHEDULE
$10,125,000
TAXABLE SERIES 2009B

$3,200,000 7.420% Term Bond maturing October 1, 2029 Price: 100.000% CUSIP: 359430 AK1 [1©]

$3,425,000 7.520% Term Bond maturing October 1, 2034 Price: 100.000% CUSIP: 359430 AN5 [1©]

$3,500,000 7.620% Term Bond maturing October 1, 2039 Price: 100.000% CUSIP: 359430 AL9 [1©]

[1] The City takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

CITY OF FRUITA, COLORADO

Members of the City Council

H. Kenneth Henry, Mayor
Lori Buck, Mayor Pro Tem
R. Bruce Bonar
Nick Kohls
Stacey Mascarenas
Terry Moss
Mel Mulder

City Officials

Clinton M. Kinney, City Manager
Margaret Steelman, City Clerk and Finance Director
Edward P. Sands, Esq., City Attorney

Paying Agent and Registrar

UMB Bank, n.a.
Denver, Colorado

Underwriter

George K. Baum & Company
Denver, Colorado

Bond Counsel

Kutak Rock LLP
Denver, Colorado

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the City or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been furnished by the City and obtained from other sources which are believed to be reliable. In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

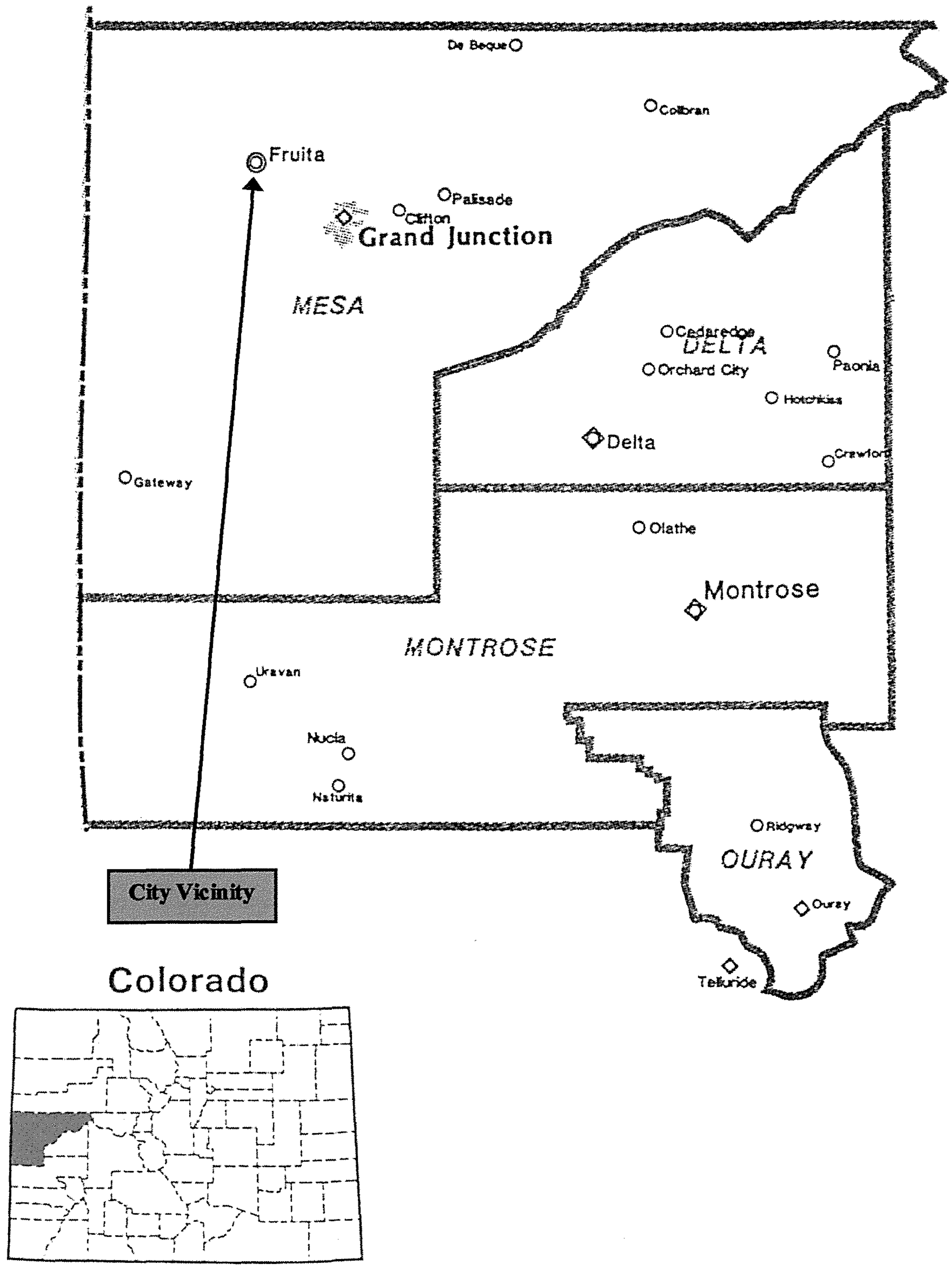
TABLE OF CONTENTS

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and "APPENDIX F—Specimen Financial Guaranty Insurance Policy."

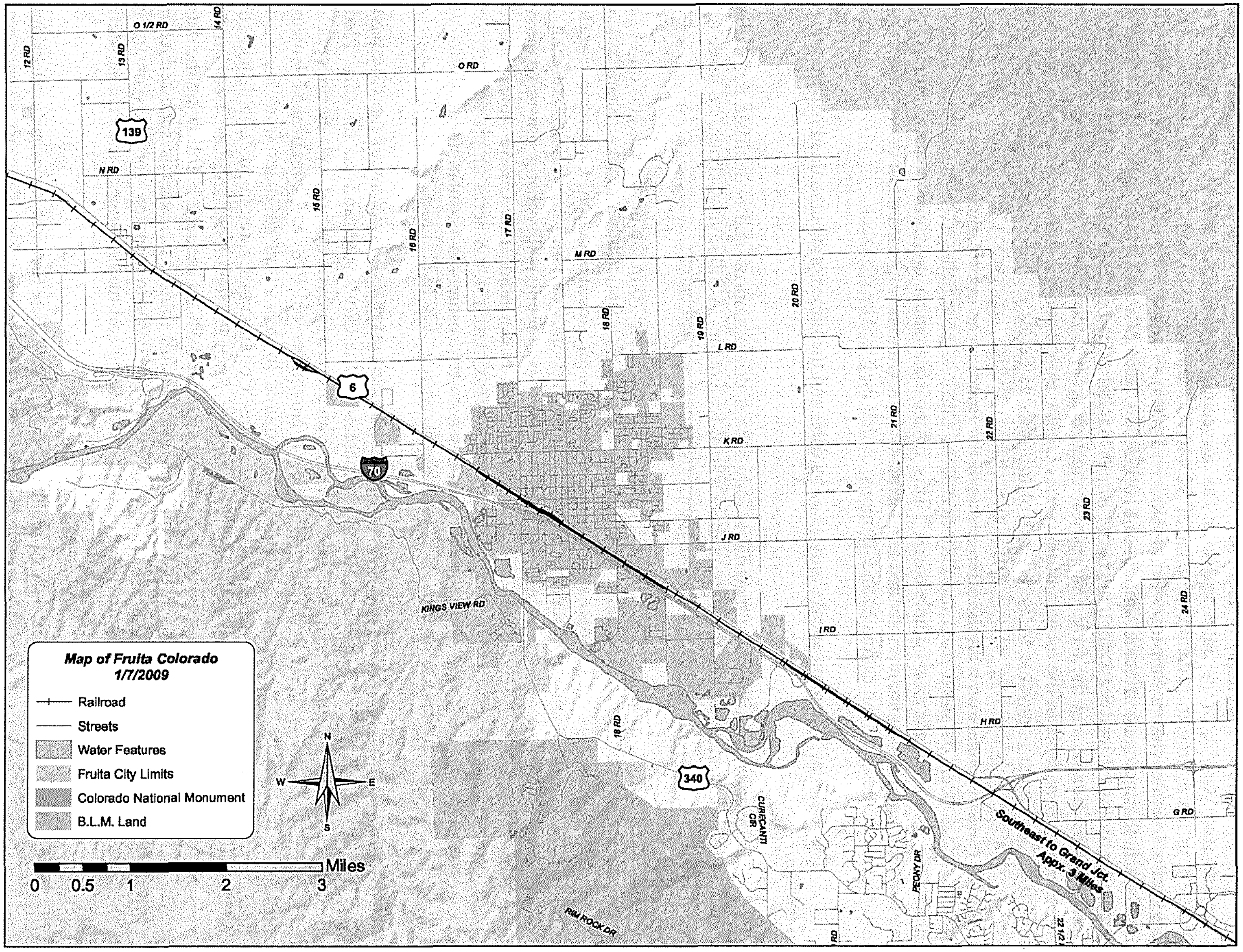
Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has approved or disapproved the Bonds or this Official Statement. Any representation to the contrary is unlawful.

INDEX OF TABLES

VICINITY MAP



CITY BOUNDARY MAP



INTRODUCTION

This Official Statement is furnished in connection with the issuance by the City of Fruita, Colorado (the "City"), of its Sales and Use Tax Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), in the aggregate principal amount of $2,440,000 and its Sales and Use Tax Revenue Bonds (Federally Taxable—Issuer Subsidy—Build America Bonds), Series 2009B (the "Taxable Series 2009B Bonds"), in the aggregate principal amount of $10,125,000. Except as otherwise indicated, as used in the remainder of this Official Statement, the term "Bonds" includes the Series 2009A Bonds and the Taxable Series 2009B Bonds, and the term "interest on the Bonds" includes the interest on the Series 2009A Bonds which is payable to the owners of the Series 2009A Bonds and the interest on the Taxable Series 2009B Bonds which is payable to the owners of the Taxable Series 2009B Bonds. The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. The information set forth in this Official Statement has been obtained from the City and from other sources believed to be reliable but is not guaranteed as to accuracy or completeness. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein.

Issuer..................................... The City is located along Interstate 70 in the northwest portion of Mesa County (the "County") in west central Colorado (the "State"), and is approximately 13 miles west of Grand Junction, Colorado. The local economy is based primarily on tourism, recreation, ranching and farming. The City is a home-rule municipality that is governed pursuant to the Colorado Constitution and a home rule Charter (the "Charter"). The City encompasses approximately 4,468 acres (approximately seven square miles) and has a current estimated population of 10,947. See "THE CITY," and the preceding "VICINITY MAP."

Security................................. The Bonds are special, limited revenue obligations of the City payable solely from a 1% increase in the City's sales and use tax (the "Pledged Sales and Use Tax"), which was approved by the City's electors pursuant to an election held on November 4, 2008, and commenced January 1, 2009. The City is required to deposit all revenues from the Pledged Sales and Use Tax to the "Community Center Fund" established solely for payment of the Bonds. Such Pledged Sales and Use Tax is reduced from a rate of 1.0% to a rate of 0.4% on January 1st following the date on which the Bonds are paid in full (but in no event is such reduction to occur later than January 1, 2039) to provide for the constructing, improving, equipping, operating and maintaining of the Project (defined hereafter).

The Bonds are secured by a first lien (but not necessarily an exclusive first lien) on: (i) the Pledged Sales and Use Tax, (ii) all moneys on deposit from time-to-time in the Community Center Fund, and (iii) the cash subsidy payments received from the United States Treasury with respect to interest on the Taxable Series 2009B Bonds (the "Federal Direct Payments")(collectively, the "Pledged Revenues"). The Bonds are additionally secured by a reserve account of the Community Center Fund (the "Reserve Account") and a supplemental reserve account of the Community Center Fund (the "Supplemental Reserve Account"). The Reserve Account is to be initially established from Bond proceeds in the amount of $1,256,500 and maintained in the amount of the Reserve Account Requirement (as defined in "THE BONDS—Security for the Bonds"). The Supplemental Reserve Account is to be initially established in the amount of $500,000 from moneys currently on deposit in the Community Center Fund (the "Supplemental Reserve Account Requirement"). The Supplemental Reserve Account is to be maintained until no later than December 1, 2019. See "THE BONDS—Security for the Bonds." Draws on or shortfalls within the Reserve Account and the Supplemental Reserve Account are to be replenished from available Pledged Revenues, however, the City has, in addition to such replenishment requirement, made a moral obligation pledge, subject to annual appropriation, to replenish the required amounts. See "THE BONDS—Flow of Funds—*City Replenishment Consideration and Moral Obligation*".

Upon the date of issuance of the Bonds, no obligations other than the Bonds will be payable from the Community Center Fund or the Pledged Revenues; however, subject to express conditions, the Ordinance adopted by the City Council of the City (the "Council"), as amended by an amending ordinance adopted by the Council (collectively, the "Bond Ordinance") provides that the City may issue bonds or other obligations having a lien on the Pledged Revenues and moneys on deposit in the Community Center Fund which is on a parity with the lien of the Bonds (the "Parity Lien Bonds"). See "THE BONDS—Security for the Bonds." See "DEBT STRUCTURE—Revenue and Other Financial Obligations."

Purpose .... The Bonds are being issued to (i) finance construction and equipping of a community center (the "Project"); (ii) fund the Reserve Account; and (iii) pay the costs of issuance of the Bonds, as described in "THE BONDS—Application of Bond Proceeds" herein.

Bond Insurance..................... Assured Guaranty Corp. (the "Bond Insurer" or "Assured Guaranty") has committed to issue, effective as of the date of issuance of the Bonds, a policy of insurance (the "Bond Insurance Policy") guaranteeing the payment, when due, of the principal of and interest on the Bonds. The insurance extends over the life of the issue and cannot be canceled by the Bond Insurer. Payment under the Bond Insurance Policy is subject to the conditions described in "BOND INSURANCE." A specimen of the Bond Insurance Policy is attached as APPENDIX F to this Official Statement.

Payment Provisions .... The Bonds mature and bear interest at the rates (computed on the basis of a 360 day year of twelve 30 day months) as set forth on the cover page hereof. Interest on the Bonds is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2010. Principal of the Bonds is payable to the registered owner thereof (initially Cede & Co.) at the principal operations office of the Paying Agent. Payments to Beneficial Owners will be made as described under the caption "APPENDIX D—Book-Entry-Only System."

Book-Entry-
Only Registration .... The Bonds will be issued in fully registered form and will be registered initially in the name of "Cede & Co." as nominee for The Depository Trust Company, New York, New York ("DTC"), a securities depository. Beneficial ownership interests in the Bonds may be acquired through Participants in the DTC system. Such beneficial ownership interests will be recorded in the records of the Participants. So long as DTC or its nominee is the Owner of the Bonds, payments of principal of and interest on the Bonds, as well as notices and other communications made by or on behalf of the City pursuant to the Bond Ordinance, will be made to DTC or its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See "APPENDIX D—Book-Entry-Only System" for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters.

Registration
and Denominations............... The Bonds are issued in fully registered form in denominations of $5,000 each or integral multiples thereof.

Tax Matters .... Interest on the Taxable Series 2009B Bonds is included in gross income for federal income tax purposes. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain covenants, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The Series 2009A Bonds have been designated by the City as "qualified tax exempt obligations" under Section 265(b)(3) of the Code. In Bond Counsel's further opinion, under State of Colorado existing statutes, the Series 2009A Bonds and the Taxable Series 2009B Bonds and the income therefrom are exempt from taxation in the State of Colorado, except inheritance, estate, and transfer taxes. In addition, interest See "TAX MATTERS" herein.

Prior Redemption................. The Bonds are subject to redemption prior to maturity as set forth in "THE BONDS—Prior Redemption."

Risk Factors.......................... The purchase of the Bonds involves certain investment risks which are discussed throughout this Official Statement. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision and should consider carefully the information contained under "RISK FACTORS."

Authority for Issuance.......... The Bonds are issued in conformity with the Charter and the constitution and laws of the State, and pursuant to the Bond Ordinance. The issuance of the Bonds, not to exceed the aggregate principal amount of $15,000,000, was approved by a majority of the City's electors at an election held on November 4, 2008. Such Bonds are to be paid solely from the Community Center Fund. Upon the issuance of the Bonds, the City will have authorization to issue an additional $2,435,000 of revenue bonds for the financing of the Project. See "THE BONDS—Security for the Bonds."

Delivery Information........... The Bonds are offered when, as, and if issued by the City and accepted by George K. Baum & Company (the "Underwriter"), subject to prior sale, the approving legal opinion of Bond Counsel, and certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about November 12, 2009, against payment therefor.

Exchange and Transfer........ While the Bonds remain in book-entry-only form, transfer and ownership by Beneficial Owners may be made as described under the caption "APPENDIX D—Book-Entry-Only System."

Financial Statements........... Appended hereto are the audited basic financial statements of the City as of and for the year ended December 31, 2008, which are the most recent audited financial statements available for the City.

ALL OF THE SUMMARIES OF THE STATUTES, ORDINANCES, OPINIONS, CONTRACTS, AND AGREEMENTS DESCRIBED IN THIS OFFICIAL STATEMENT ARE SUBJECT TO THE ACTUAL PROVISIONS OF SUCH DOCUMENTS. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from: City of Fruita, 325 East Aspen Avenue, Fruita, Colorado 81521, Telephone: (970) 858-3663; or George K. Baum & Company, 1400 Wewatta Street, Suite 800, Denver, Colorado 80202, Telephone: (303) 292-1600.

RISK FACTORS

The purchase of the Bonds involves certain investment risks which are discussed throughout this Official Statement, and each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds.

Limited Obligations

The Bonds do not constitute a lien upon any real or personal property of the City. Rather, the Bonds constitute an irrevocable but nonexclusive first lien upon the Pledged Sales and Use Tax, the moneys on deposit from time to time in the Community Center Fund (which deposits include the Reserve Account and the Supplemental Reserve Account), and Federal Direct Payments. See also "THE

BONDS—Flow of Funds—*City Replenishment Consideration and Moral Obligation*" for a description of the City's moral obligation pledge, subject to annual appropriation, to replenish the required reserves in the Reserve Account and the Supplemental Reserve Account. Therefore, the payment of the principal of, premium if any, and interest on the Bonds and any Parity Lien Bonds is dependent on the City's receipt of the Pledged Sales and Use Tax, which no later than January 1, 2039, is to be reduced from a rate of 1.0% to a rate of 0.4% on January 1st following the date on which the Bonds are paid in full to provide for the constructing, improving, equipping, operating and maintaining of the Project. Bondholders may not look to any general or other revenues of the City, including without limitation the proceeds of ad valorem property taxes, for the payment of the principal of, premium if any, and interest on the Bonds, and the Bonds do not constitute a debt or an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City. See "DEBT STRUCTURE."

Issuance of Parity Lien Bonds

Upon the issuance of the Bonds, the City will have authorization to issue an additional $2,435,000 of revenue bonds for the financing of the Project, pursuant to an election held on November 4, 2008. The City may not issue more than $2,435,000 in additional bonds secured by the Pledged Revenues without obtaining further authorization from the City's electors and satisfying the requirements of the Parity Lien Bond test set forth in the Bond Ordinance. Although the City has the authority to issue Parity Lien Bonds, the City currently does not anticipate the issuance of additional bonds or other obligations secured by a lien on the Pledged Revenues on a parity with the lien of the Bonds.

Economic Conditions

The Bonds are payable from Pledged Sales and Use Tax and the money on deposit from time-to-time in the Community Center Fund. Collections of sales and use taxes are subject to the elastic nature of consumer spending. This causes sales and use tax revenues to increase along with higher prices brought about by inflation, but also causes receipts to be vulnerable to adverse economic conditions and reduced consumer confidence which may result in reduced spending. Additionally, the economy in the City is based primarily on tourism and its secondary effects. A downturn in such industry could have a material effect on the level of sales and use tax receipts received by the City. Future sales and use tax receipts may fluctuate from historical levels and therefore may affect the level of debt service coverage. Collections of the City's sales and use taxes for the first twelve-month period ending August 31, 2009 are down 17.5% from the preceding twelve-month period. Finally, the level of City sales and use taxes may be affected in the future by Internet and mail order commerce as discussed in the following paragraph.

Effect of Internet Sales on e-Commerce Taxable Sales

The City's sales and use tax is not imposed on internet sales of retailers that do not have a physical presence in the State. The future level of taxable retail sales which occurs within the City may be affected by the level of internet sales (also known as e-commerce). Such e-commerce vendors may compete with local retail businesses and may reduce the taxable retail sales which otherwise would occur within the City. The ultimate impact of internet sales on the level of taxable retail sales which occurs within the City cannot be determined at this time but such impact could be material.

Federal Subsidy Payment on the Taxable Series 2009B Bonds

The City intends to elect to designate the Taxable Series 2009B Bonds as Build America Bonds for the purposes of the Recovery Act and to receive a cash subsidy payment (also referred to herein as the Federal Direct Payments) from the United States Treasury equal to 35% of the interest payable on the

Taxable Series 2009B Bonds. The interest subsidy payments from the U.S. Treasury will be made directly to the City and, in accordance with the Bond Ordinance, the City is required to deposit the same directly into the Community Center Fund.

IRS Notice 2009-26 states: "In general, for fixed rate bonds, upon receipt of a timely Form 8038-CP requesting payment of the credit, such amount i.e., the Federal Direct Payment will be paid on a contemporaneous basis by the applicable interest payment date." According to the U.S. Treasury Department, its priority of making the cash subsidy payment is the same as the United States Treasury refunding overpayments of tax. In the event that the City does not receive the Federal Direct Payments in a timely fashion to pay 35% of the stated interest on each Interest Payment Date for the Taxable Series 2009B Bonds, then the City is obligated to pay such amounts from other Pledged Revenues. The Internal Revenue Code of 1986 imposes requirements on the Taxable Series 2009B Bonds that the City must continue to meet after the Taxable Series 2009B Bonds are issued in order to receive the Federal Direct Payments. These requirements generally involve the way that Taxable Series 2009B Bond proceeds must be invested and ultimately used, and the periodic requests for payment. If the City does not meet these requirements, it is possible that the City may not receive the Federal Direct Payments. Although the City will covenant in a certificate delivered on the date of issuance of the Bonds to take the actions necessary to ensure receipt of the Federal Direct Payments, failure to comply with such covenant does not constitute an Event of Default under the Bond Ordinance. As a result, in the event that the City fails to comply with such covenant, no assurance is given that the Federal Direct Payments will be received.

Furthermore, in certain circumstances, the cash subsidy payments to be made to the City may be reduced (offset) by amounts determined to be applicable under the Code and regulations promulgated thereunder. For example, offsets may occur by reason of any past-due legally enforceable debt of the City to any Federal agency. The amount of any such offsets is not predictable, and the City does not currently expect that any such offsets will apply to the credits the City expects to receive.

Enforceability of Bondholders' Remedies Upon Default

In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, remedies available to registered owners and Beneficial Owners of the Bonds may have to be enforced from year to year. Moreover, there is no bond trustee or similar person or entity to monitor or enforce the provisions of the Bond Ordinance on behalf of the registered owners and Beneficial Owners of the Bonds, and therefore such registered owners and Beneficial Owners of the Bonds should be prepared to enforce such provisions themselves if the need to do so ever arises.

The remedies available to the owners of the Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law and judicial decisions, including specifically the federal Bankruptcy Code. The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual principles of equity which may limit the specific enforcement under State law of certain remedies; to the exercise by the United States of America of the powers delegated to it by the federal Constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving an important public purpose.

Legal Constraints on City Operations

Various Colorado statutory provisions apply to the imposition and collection of the City's sales and use tax and generally regulate the financing of City operations. There can be no assurance that there will not be changes in interpretation of, or additions to, the applicable laws and regulations which would have a material adverse effect, directly or indirectly, on the affairs of the City.

THE BONDS

Description

The Bonds are issued in the principal amount, dated as of the dated date, mature on the dates and bear interest at the rates set forth on the cover page hereof. Certain matters relating to the Bonds are described in detail in "INTRODUCTION" and are not restated under this caption. These include provisions regarding redemption of the Bonds, registration and denominations of the Bonds, exchange and transfer of the Bonds; payment of the principal of, premium, if any, and interest on the Bonds; a description of the authority for issuance of the Bonds; and information regarding the delivery of the Bonds.

Designation of Taxable Series 2009B Bonds as "Build America Bonds"

The Taxable Series 2009B Bonds are being issued as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the City expects to receive a cash subsidy payment from the United States Treasury (referred to herein as the Federal Direct Payments) equal to 35% of the interest payable on the Taxable Series 2009B Bonds on or prior to each Interest Payment Date, assuming submittal by the City of the appropriate requests for payment in a timely manner. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the Recovery Act. Federal Direct Payments received by the City are to be deposited into the Community Center Fund.

Prior Redemption

Optional Redemption of the Bonds. The Bonds maturing on and after October 1, 2020 are subject to redemption prior to maturity at the option of the City, in whole or in part in integral multiples of $5,000, and if in part in such order of maturities as the City shall determine and by lot within a maturity, on October 1, 2019 and on any date thereafter, at a redemption price equal to the principal amount of the redeemed Bonds, plus accrued interest to the redemption date, and without redemption premium.

Extraordinary Event Redemption – Taxable Series 2009B Bonds. The Taxable Series 2009B Bonds are subject to redemption prior to their stated maturities, at the option of the City, in whole but not in part, upon the occurrence of an Extraordinary Event (as defined in the following sentence), from any source of available funds, on the dates and at the price, including premium not to exceed three percent of the principal amount so redeemed. An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Tax Code pursuant to which the City's 35% cash subsidy payment from the United States Treasury, defined herein as the Federal Direct Payments, is reduced or eliminated.

Mandatory Sinking Fund Redemption – Series 2009A Bonds. The Series 2009A Bonds maturing on October 1, 2039, are subject to mandatory sinking fund redemption by lot on October 1 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (without redemption premium), plus accrued interest to the redemption date:

Years	Principal Amount
2035	$410,000
2036	395,000
2037	385,000
2038	370,000
2039 [1]	370,000

[1] Maturity date.

Mandatory Sinking Fund Redemption – Taxable Series 2009B Bonds. The Taxable Series 2009B Bonds maturing on October 1, 2029, are subject to mandatory sinking fund redemption by lot on October 1 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (without redemption premium), plus accrued interest to the redemption date:

Years	Principal Amount
2020	$160,000
2021	190,000
2022	220,000
2023	255,000
2024	290,000
2025	330,000
2026	370,000
2027	415,000
2028	460,000
2029 [1]	510,000

[1] Maturity date.

The Taxable Series 2009B Bonds maturing on October 1, 2034, are subject to mandatory sinking fund redemption by lot on October 1 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (without redemption premium), plus accrued interest to the redemption date:

Years	Principal Amount
2030	$565,000
2031	620,000
2032	680,000
2033	745,000
2034 [1]	815,000

[1] Maturity date.

The Taxable Series 2009B Bonds maturing on October 1, 2039, are subject to mandatory sinking fund redemption by lot on October 1 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (without redemption premium), plus accrued interest to the redemption date:

Years	Principal Amount
2035	$ 450,000
2036	550,000
2037	650,000
2038	750,000
2039 [1]	1,100,000

[1] Maturity date.

Redemption Procedures. Notice of any redemption of Bonds will be given by the Paying Agent in the name of the City by sending a copy of such notice by first class, postage prepaid mail, not less than 30 days prior to the redemption date, to the Owner of each Bond being redeemed. Such notice is to specify the number or numbers of the Bonds so to be redeemed (if redemption is in part) and the redemption date. If any Bond shall have been duly called for redemption and if, on or before the redemption date, there shall have been deposited with the Paying Agent in accordance with the Bond Ordinance funds sufficient to pay the redemption price of such Bond on the redemption date, then such Bond shall become due and payable at such redemption date, and from and after such date interest will cease to accrue thereon. Failure to deliver any redemption notice or any defect in any redemption notice shall not affect the validity of the proceeding for the redemption of Bonds with respect to which such failure or defect did not occur. Any Bond redeemed prior to its maturity by prior redemption or otherwise shall not be reissued and shall be cancelled.

Application of Bond Proceeds

The Project. The net proceeds from the sale of the Bonds will be used to finance the construction and equipping of an approximate 47,000 square foot community center. The Project is expected to include, among others, aquatics facilities, pool party rooms, a gymnasium, a senior meeting room, multi-use meeting rooms, a group exercise studio, fitness/wellness areas, child care facilities, locker rooms, family changing rooms, updating of the existing City outdoor pool, lobby spaces and staff office spaces, all as more particularly described below.

The approximate 14,153 square foot aquatics facilities is expected have a large warm water pool with many features including: easy walk-in access, a large 18-inch depth toddler section, an adjacent climbing wall, a slide with an eight-foot drop, several lap lanes, a diving board, a lazy river for resistance walking or floating, and a hot tub.

An approximate 1,596 square foot senior center is also expected be constructed within the community center. The senior center is expected to be free of charge and provide much needed services to the senior community, including a senior lunch program and senior fitness programs. In addition, the community center is expected to include, among others, an approximate 11,424 square foot gymnasium, an approximate 2,688 square foot indoor running track, an approximate 844 square foot child sitting room, an approximate 3,063 square feet of multipurpose meeting room space, an approximate 500 square foot catering kitchen, an approximate 4,188 square foot fitness/wellness area, an approximate 1,911 square foot aerobics/dance room, an approximate 3,125 square feet of locker room space and an approximate 3,388 square feet of lobby and staff offices.

The anticipated life of the Project is approximately 35 years, exceeding the weighted average maturity of the Bonds. Construction is expected to begin in November 2009 and is expected to be complete by January 2011. According to City officials, the City is employing a "Construction Management/General Contractor" model for delivery of design and construction services. The model is to allow the City for more accurate estimates of cost throughout the Project. The City is expected to hire a contractor during the schematic design process and ask for a "Guaranteed Maximum Price" after design documentation is complete. If costs of the Project exceed funds available, program and facility expenditures are expected to be adjusted or cut from the overall Project to be within budget. In addition, contingency funds are to be included within all budgeting. Contingency funds are to be reduced as the Project moves forward and as risk of cost fluctuation and overruns are reduced.

The City expects to hire five new full-time staff in its Parks and Recreation Department, including a facility manager, a programs coordinator, a front desk/marketing coordinator, an aquatics coordinator and a building maintenance worker. In addition, part-time staff expected to be hired include lifeguards and water safety instructors, front desk attendants, child care attendants, program instructors and custodial staff.

Application of Bond Proceeds. The estimated application of the proceeds of the Bonds is as follows:

SOURCES	
Series 2009A Bond Proceeds	$ 2,440,000.00
Taxable Series 2009B Bond Proceeds	10,125,000.00
Original Issue Premium on Series 2009A Bonds	42,310.50
City Contribution	145,166.48
Total	$12,752,476.98
USES	
Deposit to Project Account	$10,918,750.04
Deposit to Reserve Account	1,256,500.00
Costs of issuance, including underwriting discount,[1] bond insurance premium,[2] professional fees and printing costs	577,226.94
Total	$12,752,476.98

[1] See "MISCELLANEOUS—Underwriting."
[2] A portion of the bond insurance premium will be paid from the City's Contribution in the amount specified above.

Security for the Bonds

Special Limited Obligations. The Bonds are special, limited revenue obligations of the City. The City has pledged a first lien, but not necessarily an exclusive first lien, on the Pledged Revenues for the payment of the principal of, premium, if any, and interest on the Bonds, and any Parity Lien Bonds at any time Outstanding. The Pledged Revenues include all of the Pledged Sales and Use Tax and all moneys on deposit from time-to-time in the Community Center Fund.

The City has covenanted in the Bond Ordinance that it will not pledge or create any other lien on the Pledged Revenues that is superior to the lien thereon of the Bonds. The City is not prohibited from issuing additional parity obligations, subordinate lien obligations and pledging or creating a subordinate lien on the Pledged Revenues, provided that no Event of Default shall have occurred and be continuing. See "—Parity Lien Bonds" below for a discussion of the requirements that must be satisfied prior to the issuance of Parity Lien Bonds.

Flow of Funds

Pursuant to the Bond Ordinance, immediately upon receipt of the Pledged Sales and Use Tax, all revenues therefrom will be deposited to the Community Center Fund in the following order of priority:

(i) to the credit of the Interest Sub-Account, the amounts discussed in "—Bond Account" below and to the credit of any other bond account established for the payment of interest on any Parity Lien Bonds; (ii) to the credit of the Principal Sub-Account, the amounts discussed in "—Bond Account" below and to the credit of any other bond account established for the payment of principal on any Parity Lien Bonds; (iii) to the credit of the Reserve Account the amounts discussed in "—Reserve Account" below and to the credit of any other account established as a reserve account for any Parity Lien Bonds; (iv) to the credit of the Supplemental Reserve Account the amounts discussed in "—Supplemental Reserve Account" below; (v) to the credit of any other fund or account thereafter established for the payment of the principal of, premium if any, and interest on subordinate lien obligations, including any sinking fund, reserve fund, or similar fund or account established therefor, the amounts required by the ordinance or other enactment authorizing issuance of said subordinate lien obligations; and (vi) for any other purpose permitted under the City's Municipal Code (the "Municipal Code") for the Community Center Fund.

Bond Account. Moneys deposited in the Bond Account will be used solely for the purpose of paying the principal of, premium if any, and interest on the Bonds. The Principal Sub-Account will be used to pay the principal of and premium, if any, on the Bonds, and the Interest Sub-Account will be used to pay the interest on the Bonds.

On or before the last day of each month, commencing in the month next succeeding the date of issuance of the Bonds, the City will credit to the Interest Sub-Account, from the Pledged Revenues and any interest income to be deposited in the Interest Sub-Account pursuant to the terms of the Bond Ordinance, an amount equal to the Pro Rata Portion of the interest to come due on the Bonds on the next succeeding Interest Payment Date.

On or before the last day of each month, commencing in the month next succeeding the date of issuance of the Bonds, the City will credit to the Principal Sub-Account, from the Pledged Revenues and any interest income to be deposited in the Principal Sub-Account pursuant to the terms of the Bond Ordinance, an amount equal to the Pro Rata Portion of the principal coming due on the Bonds on the next succeeding Principal Payment Date.

Moneys deposited in the Bond Account may be invested or deposited in securities or obligations which are lawful investments permitted for the investment of fund of the City by the laws of the State of Colorado ("Permitted Investments"). The investment of moneys deposited in the Bond Account will, however, be subject to the covenants and provisions of the section of the Bond Ordinance entitled "Covenants Regarding Exclusion of Interest on Bonds from Gross Income for Federal Income Tax Purposes." Except to the extent otherwise required by such section, all interest income from the investment or reinvestment of moneys deposited in any sub-account of the Bond Account will remain in and become part of such sub-account.

Reserve Account. The Reserve Account will initially be funded from Bond proceeds in the amount of $1,256,500, initially equal to the Reserve Account Requirement (as defined below). Moneys in the Reserve Account will be used, if necessary, only to prevent a default in the payment of the principal of, premium if any, and interest on the Bonds when due. Moneys on deposit in the Reserve Account, proceeds of the liquidation of Permitted Investments on deposit in the Reserve Account or moneys available from a Reserve Account Contract will be transferred to the Bond Account on any date on which a payment of principal of, premium, if any, or interest on the Bonds is due to the extent the amount on deposit in the Bond Account is insufficient to make such payment.

The "Reserve Account Requirement" as of any date on which it is calculated, is equal to the least of (a) 10% of the principal amount of the Outstanding Bonds, (b) the maximum annual debt service in any calendar year on the Outstanding Bonds, or (c) 125% of the average annual debt service on the

Outstanding Bonds; provided, however, at no time is the amount of the Reserve Account Requirement, when combined with moneys, if any, on deposit in the Supplemental Reserve Account, be less than the Combined Maximum Principal and Interest Requirements (generally defined as the maximum annual amount required to be paid in any calendar year as the principal of and interest on the Bonds and any outstanding Parity Lien Bonds) required to be paid in any calendar year in connection with the Outstanding Bonds including in the required amount that portion of the interest obligation which is expected to be paid from Federal Direct Payments, the intent being that such required amount not be net of the Federal Direct Payments.

The Reserve Account Requirement will be funded and maintained by any one of or any combination of (i) cash; (ii) Permitted Investments; and (iii) with the prior written consent of the Bond Insurer, if any, a Reserve Account Contract which provides for payments when and as required for purposes of the Reserve Account. The Reserve Account Contract must be issued by an obligor whose obligations such as the Reserve Account Contract are either (A) rated by a Rating Agency as investment grade, or (B) if a rating has been obtained on the Bonds, whose obligations are rated by each Rating Agency that then maintains a rating on the Bonds in a category (or comparable classification) equal to or higher than the category, if any, in which the Bonds are rated, or will not impact the rating on the Bonds; provided, however, if the Reserve Account Contract is issued by the Bond Insurer, if any, then no rating standard shall apply to the obligor for such Reserve Account Contract.

Cash will satisfy the Reserve Account Requirement by the amount of cash on deposit. Permitted Investments will satisfy the Reserve Account Requirement by the value of such investments. The value of each Permitted Investment on deposit in the Reserve Account will be its purchase price from the date of purchase and thereafter its fair market value determined as of each calculation date. A Reserve Account Contract will satisfy the Reserve Account Requirement by the amount payable to the City pursuant to such contract.

The Reserve Account Requirement will be calculated not less than annually. If at any time the calculated amount of the Reserve Account is less than the Reserve Account Requirement or transfers are made from the Reserve Account as provided in the Bond Ordinance, then the City will deposit to the Reserve Account from the Pledged Revenues, amounts sufficient to bring the amount deposited in the Reserve Account to the Reserve Account Requirement. If at any time the calculated amount of the Reserve Account is more than the Reserve Account Requirement, then the City will transfer to the Bond Account such amount which is in excess of the Reserve Account Requirement. Such deposits will be made as soon as possible after such use or calculation, but in accordance with and subject to the limitations of the section of the Bond Ordinance entitled "Deposit of Pledged Revenues."

The investment of moneys deposited in the Reserve Account will be subject to the covenants and provisions of the section of the Bond Ordinance entitled "Covenants Regarding Exclusion of Interest on Bonds from Gross Income for Federal Income Tax Purposes." Except to the extent otherwise required by such section, interest income from the investment or reinvestment of moneys deposited in the Reserve Account will be transferred to the Bond Account.

Supplemental Reserve Account. The Supplemental Reserve Account will be funded from moneys on deposit in the Community Center Fund on the date of the issuance of and delivery of the Bonds in the amount of $500,000 (the "Supplemental Reserve Account Requirement"). Moneys in the Supplemental Reserve Account will be used, if necessary, only to prevent a default in the payment of the principal of, premium if any, and interest on the Bonds when due and prior to the use of any moneys in the Reserve Account for such purpose. Moneys on deposit in the Supplemental Reserve Account, proceeds of the liquidation of Permitted Investments on deposit in the Reserve Account will be transferred to the Bond Account on any date on which a payment of principal of, premium, if any, or interest on the Bonds is due to the extent the amount on deposit in the Bond Account is insufficient to make such payment. The Supplemental Reserve Account is to be maintained within the Community Center Fund until the earlier of December 1, 2019 or such time as the Sales and Use Tax for two consecutive calendar years has been equal to at least 150% of the sum of the Combined Maximum Principal and Interest Requirements (as defined below) due or to become due on the Bonds and any outstanding Parity Lien Bonds.

The Supplemental Reserve Account is to be maintained, until terminated as provided above, by any one of or any combination of cash or Permitted Investments. The investment of moneys deposited in the Supplemental Reserve Account will be subject to the covenants and provisions of the section of the Bond Ordinance entitled "Covenants Regarding Build America Bonds".

Cash shall satisfy the Supplemental Reserve Account Requirement by the amount of cash on deposit. Permitted Investments shall satisfy the Supplemental Reserve Account Requirement by the value of such investments. The value of each Permitted Investment on deposit in the Supplemental Reserve Account shall be its purchase price from the date of purchase and thereafter its fair market value determined as of each calculation date required pursuant to paragraph (d) of this section.

The Supplemental Reserve Account Requirement is to be calculated not less than annually. If at any time the calculated amount of the Supplemental Reserve Account is less than the Supplemental Reserve Account Requirement or transfers are made from the Supplemental Reserve Account, then the City is to deposit to the Supplemental Reserve Account from the Pledged Revenues, amounts sufficient to bring the amount deposited in the Supplemental Reserve Account to the Supplemental Reserve Account Requirement. Such deposits are to be made as soon as possible after such use or calculation, but in accordance with and subject to the limitations of the Bond Ordinance. If at any time the calculated amount of the Supplemental Reserve Account is more than the Supplemental Reserve Account Requirement, then the City shall apply such excess amount to any lawful use of moneys in the Community Center Fund in accordance with the Municipal Code.

City Replenishment Consideration and Moral Obligation. If, at any time, the Supplemental Reserve Account is not funded at the Supplemental Reserve Account Requirement on a date which is 90 days prior to an Interest Payment Date or a Principal Payment Date, the Manager of the City is to prepare and submit to the Council a request for an appropriation of a sufficient amount to replenish the Supplemental Reserve Account to the Supplemental Reserve Account Requirement. The Council may determine in its sole discretion, but is not required, to make the appropriations so requested. All sums appropriated by the Council for such purpose will be considered a loan of legally available moneys of the City to the Community Center Fund, may draw interest until repaid at rate determined by the Council at the time the appropriation is made, and shall be deposited in the Supplemental Reserve Account. The repayment obligation for any loan shall be subordinate to the payment of the Bonds. While the Council has agreed to consider funding the Supplemental Reserve Account pursuant to the terms of Bond Ordinance to provide additional assurance that the Supplemental Reserve Account will annually be funded at the Supplemental Reserve Account Requirement, the Council's decision not to so fund the Supplemental Reserve Account will not constitute an Event of Default under the Bond Ordinance.

Following the date on which the Supplement Reserve is not required to be maintained pursuant to the terms of the Bond Ordinance, if, at any time, the Reserve Account is not funded at the Reserve Account Requirement on a date which is 90 days prior to an Interest Payment Date or a Principal Payment Date, the Manager of the City is to prepare and submit to the Council a request for an appropriation of a sufficient amount to replenish the Reserve Account to the Reserve Account Requirement. The Council may determine in its sole discretion, but is not required, to make the appropriations so requested. All sums appropriated by the Council for such purpose are to be considered a loan of legally available moneys of the City to the Community Center Fund, may draw interest until repaid at rate determined by the Council at the time the appropriation is made, and is to be deposited in the Reserve Account. The repayment obligation for any loan will be subordinate to the payment of the Bonds. While the Council has agreed to consider funding the Reserve Account pursuant to the terms of the Bond Ordinance to provide additional assurance that the Reserve Account will annually be funded at the Reserve Account Requirement, the Council's decision not to so fund the Reserve Account shall not constitute an Event of Default under the Bond Ordinance.

Project Account. All moneys deposited in the Project Account shall be applied solely to the payment of the costs of the Project. Upon the determination of the Council that all Project costs have been paid or are determinable, any balance remaining in the Project Account (less any amounts necessary to pay Project costs not then due and owing) shall be transferred to the Bond Account.

Moneys deposited in the Project Account may be invested or deposited in securities or obligations that are Permitted Investments. The investment of moneys deposited in the Project Account shall, however, be subject to the covenants and provisions of the section of the Bond Ordinance entitled "Covenants Regarding Exclusion of Interest on Bonds from Gross Income for Federal Income Tax Purposes." Except to the extent otherwise required by such section, interest income from the investment or reinvestment of moneys deposited in the Project Account shall remain in and become part of the Project Account.

Events of Default and Remedies. The Bond Ordinance provides that the occurrence or existence of any one or more of the following events will be an "Event of Default" thereunder: (a) failure to make any payment of principal of, premium, if any, or interest on the Bonds when due under the Bond Ordinance; (b) breach by the City of any material covenant set forth in the Bond Ordinance or failure by the City to perform any material duty imposed on it under the Bond Ordinance and continuation of such breach or failure for a period of 60 days after receipt by the City Attorney of the City of written notice thereof from the Paying Agent or from the Owners of at least 10% in principal amount of the Outstanding Bonds, provided that such 60 day period will be extended so long as the City has commenced and continues a good faith effort to remedy such breach or failure; or (c) an order or decree is entered by a court of competent jurisdiction appointing a receiver for all or any portion of the revenues and moneys pledged for the payment of the Bonds pursuant to the Bond Ordinance is entered with the consent or acquiescence of the City or is entered without the consent or acquiescence of the City but is not vacated, discharged or stayed within 30 days after it is entered. Each Owner of any Bond will be entitled to all of the privileges, rights and remedies provided or permitted in the Bond Ordinance and as otherwise provided or permitted by law or in equity.

Upon the occurrence and continuance of any Event of Default, the Owners of not less than 25% in principal amount of the Bonds then Outstanding, including, without limitation, a trustee or trustees therefor, may proceed against the City to protect and to enforce the rights of any Owner of Bonds under the Bond Ordinance by mandamus, injunction or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction: (i) for the payment of interest on any installment of principal of any Bond that was not paid when due at the interest rate borne by such bond, (ii) for the appointment of a receiver or an operating trustee, (iii) for the specific performance of any covenant contained in the Bond Ordinance, (iv) to enjoin any act that may be unlawful or in violation of any right of any Owner of any Bond, (v) to require the City to act as if it were the trustee of an express trust, (vi) for any other proper legal or equitable remedy as such Owner may deem most effectual to protect their rights, or (vii) any combination of such remedies or as otherwise may be authorized by any statute or other provision of law; provided, however, that acceleration of any amount not yet due on the Bonds according to their terms shall not be an available remedy. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of Bonds then Outstanding. Any receiver or operating trustee appointed in any proceedings to protect the rights of Owners of Bonds under the Bond Ordinance may collect, receive and apply all revenues and moneys pledged for the payment of the Bonds pursuant to the Bond Ordinance arising after the appointment of such receiver or operating trustee in the same manner as the City itself might do. The failure of any Owner of any Bond then Outstanding to proceed in any manner provided in the Bond Ordinance shall not relieve the City of any liability for failure to perform or carry out its duties under the Bond Ordinance. Each right or privilege of any such Owner (or trustee therefor) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof.

Additional Covenants of the City. Pursuant to the Bond Ordinance, the City covenants for the benefit of Owners of the Bonds that:

- The City will not reduce the percentage of the Pledged Sales and Use Tax deposited to the Community Center Fund pursuant to the Bond Ordinance, will not reduce the rate of the Pledged Sales and Use Tax, and will not alter, exempt or modify the transactions, properties or items subject to the Pledged Sales and Use Tax in any manner that the City expects will materially reduce the amounts available for deposit into the Community Center Fund.

- The City will manage the collection and enforcement of the Pledged Sales and Use Tax in the most efficient and economical manner practicable.

- The City will keep or cause to be kept such books and records showing the proceeds of the Pledged Sales and Use Tax, in which complete entries shall be made in accordance with generally accepted accounting principles, as applicable to governmental entities, and the Owner of any Bond will have the right at all reasonable times to inspect all non confidential records, accounts, actions and data of the City relating to the Bonds, the Pledged Sales and Use Tax and the Community Center Fund.

- The City will cause an annual audit to be made of the books relating to the Pledged Sales and Use Tax each year by a certified public or registered accountant and shall furnish a copy thereof to the Underwriter at its request and to any Owner who so requests and agrees to pay the cost of reproduction and mailing. The annual audit of the City's general purpose financial statements shall be deemed to satisfy this covenant.

Parity Lien Bonds. The Bond Ordinance provides that the City shall not issue Parity Lien Bonds unless all of the following conditions are satisfied:

- In the event that the Bonds are not issued in the principal amount of $15,000,000, for whatever reason, the City shall be permitted to issue the remaining unissued principal amount authorized by the Bond Ordinance without meeting the condition set forth in (i) or (ii) below, but with the consent of the Bond Insurer. For all other proposed Parity Lien Bonds, the City is required to obtain a written certification from a Certified Public Accountant that either:

    (i) the Pledged Sales and Use Tax for any 24 consecutive months in the 36 months immediately preceding the month in which such certification is delivered (referred to in this paragraph as the "test period") have been equal to at least 150% of the sum of the Combined Maximum Principal and Interest Requirements due or to become due on the Bonds, any Outstanding Parity Lien Bonds, and the proposed Parity Lien Bonds during each calendar year following the date of issuance of the proposed Parity Lien Bonds; or

(ii) the proceeds of the proposed Parity Lien Bonds will be used to refund the Bonds or Outstanding Parity Lien Bonds and the aggregate principal of and interest due on the proposed Parity Lien Bonds is not greater than the aggregate principal of and interest due on the bonds that will be refunded.

For purposes of the above test, the "Combined Maximum Principal and Interest Requirements" means the maximum annual amount required to be paid in any calendar year as the principal of (including any mandatory sinking fund requirements) and interest on the Bonds, any outstanding Parity Lien Bonds and proposed Parity Lien Bonds, excluding any such bonds which have been defeased pursuant to the terms of the authorizing documents. For purposes of calculating the Combined Maximum Principal and Interest Requirements in any calendar year in which any issue of Bonds and Parity Lien Bonds finally mature, there is to be subtracted from the final payment for said bonds any cash or the present value of any investments deposited in a reserve fund or account established pursuant to the authorizing documents which are properly allocable to said bonds. Further, in calculating Combined Maximum Principal and Interest Requirements due or to become due on the Bonds, any outstanding Parity Lien Bonds, and the proposed Parity Lien Bonds in any calendar year, that portion of the interest obligation which is expected to be paid from Federal Direct Payments are to be excluded from the calculation of the amounts required to be paid, the intent being that such amounts be net of the Federal Direct Payments.

- The ordinance, indenture or other document providing for the issuance of the Parity Lien Bonds must provide for a reserve account, which is established in the amount calculated in a manner and on the same basis as the Reserve Account Requirement, and a bond account for the Parity Lien Bonds; such accounts must be established and maintained on substantially the same terms and contain substantially the same provisions as set forth in the Bond Ordinance for the Reserve Account and the Bond Account, respectively.

- The Mayor certifies in writing that no Event of Default has occurred and is continuing.

Amendments to Bond Ordinance. The Bond Ordinance provides that the City may, with prior written notice to the Bond Insurer, if any, and without the consent of or notice to the Owners of the Bonds, adopt one or more ordinances amending or supplementing the Bond Ordinance (which ordinances shall thereafter become a part of the Bond Ordinance) for any one or more or all of the following purposes: (i) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision of the Bond Ordinance; (ii) to subject to the Bond Ordinance additional revenues, properties or collateral or provide for a pledge of State or County sales taxes as permitted by the section of the Bond Ordinance entitled "Additional General Covenants"; (iii) to facilitate the designation of a substitute securities depository or to terminate the book entry registration system for the Bonds in accordance with the section of the Bond Ordinance entitled "Bond Details"; (iv) to facilitate the issuance of Parity Lien Bonds permitted to be issued pursuant to the section of the Bond Ordinance entitled "Conditions to Issuance of Parity Lien Bonds"; (v) to facilitate the funding of the Reserve Account or the substitution of one source of funding of the Reserve Account for another permitted source in accordance with the section of the Bond Ordinance entitled "Reserve Account"; (vi) to maintain the then existing or to secure a higher rating of the Bonds by any nationally recognized securities rating agency; or (vii) to make any other change that does not materially adversely affect the Owners of the Bonds.

Except for amendments permitted by the immediately preceding paragraph, the Bond Ordinance may only be amended (i) by an ordinance of the City amending or supplementing the Bond Ordinance (which, after the consents required therefor, shall become a part thereof), and (ii) with the written consent of the Bond Insurer, if any, and the Owners of at least 66 2/3% in aggregate principal amount of the Bonds then Outstanding; provided that any amendment that makes any of the following changes with respect to any Bond shall not be effective without the written consent of the Owner of such bond: (A) a change in the maturity of such bond; (B) a reduction of the interest rate on such bond; (C) a change in the terms of redemption of such bond; (D) a delay in the payment of principal of, premium, if any, or interest on such bond; (E) the creation of any pledge of or lien upon any revenues or moneys pledged for the payment of such bond under the Bond Ordinance that is superior to the pledge and lien for the payment of such bond under the Bond Ordinance; (F) a relaxation of the conditions to the issuance of Parity Lien Bonds or to the creation of any pledge of or lien upon any revenues or moneys pledged for the payment of such bond under the Bond Ordinance that is equal to or on a parity with the pledge and lien for the payment of such bond under the Bond Ordinance; (G) a reduction of the principal amount or percentage of Bonds whose consent is required for an amendment to the Bond Ordinance; or (H) the establishment of a priority or preference for the payment of any amount due with respect to any other Bond over such bond.

Debt Service Requirements

Set forth in the following table are the combined debt service requirements for the Series 2009A Bonds and the Taxable Series 2009B Bonds. See the cover of this Official Statement for the actual interest rates for each maturity of such Bonds.

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TABLE I
Debt Service Requirements[1]

Year	Series 2009A Bonds Principal	Series 2009A Bonds Interest	Taxable Series 2009B Bonds[2] Principal	Taxable Series 2009B Bonds[2] Interest	Total Gross	Subsidy[3]	Total Net of Subsidy
2010	$ --	$ 116,081	$ --	$ 674,951	$ 791,032	$ (236,233)	$ 554,799
2011	25,000	131,000	--	761,700	917,700	(266,595)	651,105
2012	25,000	130,250	--	761,700	916,950	(266,595)	650,355
2013	25,000	129,500	--	761,700	916,200	(266,595)	649,605
2014	25,000	128,688	--	761,700	915,388	(266,595)	648,793
2015	50,000	127,812	--	761,700	939,512	(266,595)	672,917
2016	60,000	125,937	--	761,700	947,637	(266,595)	681,042
2017	75,000	123,538	--	761,700	960,238	(266,595)	693,643
2018	100,000	120,537	--	761,700	982,237	(266,595)	715,642
2019	125,000	116,288	--	761,700	1,002,988	(266,595)	736,393
2020	--	110,975	160,000	761,700	1,032,675	(266,595)	766,080
2021	--	110,975	190,000	749,828	1,050,803	(262,440)	788,363
2022	--	110,975	220,000	735,730	1,066,705	(257,506)	809,199
2023	--	110,975	255,000	719,406	1,085,381	(251,792)	833,589
2024	--	110,975	290,000	700,485	1,101,460	(245,170)	856,290
2025	--	110,975	330,000	678,967	1,119,942	(237,638)	882,304
2026	--	110,975	370,000	654,481	1,135,456	(229,068)	906,388
2027	--	110,975	415,000	627,027	1,153,002	(219,459)	933,543
2028	--	110,975	460,000	596,234	1,167,209	(208,682)	958,527
2029	--	110,975	510,000	562,102	1,183,077	(196,736)	986,341
2030	--	110,975	565,000	524,260	1,200,235	(183,491)	1,016,744
2031	--	110,975	620,000	481,772	1,212,747	(168,620)	1,044,127
2032	--	110,975	680,000	435,148	1,226,123	(152,302)	1,073,821
2033	--	110,975	745,000	384,012	1,239,987	(134,404)	1,105,583
2034	--	110,975	815,000	327,988	1,253,963	(114,796)	1,139,167
2035	410,000	110,975	450,000	266,700	1,237,675	(93,345)	1,144,330
2036	395,000	87,400	550,000	232,410	1,264,810	(81,344)	1,183,466
2037	385,000	64,687	650,000	190,500	1,290,187	(66,675)	1,223,512
2038	370,000	42,550	750,000	140,970	1,303,520	(49,339)	1,254,181
2039[4]	370,000	21,275	1,100,000	83,820	1,575,095	(29,337)	1,545,758
Total	$2,440,000	$3,241,143	$10,125,000	$17,383,791	$33,189,934	$(6,084,327)	$27,105,607

[1] Assumes no redemptions, other than mandatory sinking fund redemption payments. Figures have been rounded.
[2] The City expects to receive payments from the United States Government equal to 35% of the interest on the Taxable Series 2009B Bonds (the Federal Direct Payments) as reimbursement for a portion of the interest payments made with respect thereto by the City.
[3] Federal Direct Payments.
[4] The Pledged Sales and Use Tax is reduced from 1% to 0.4% on January 1, 2039; however, the payments in calendar year 2039 are expected to be made from moneys available in the Reserve Account.
Source: The Underwriter

Debt Service Coverage

The following table sets forth the estimated annual debt service coverage which would have been provided by the Pledged Revenues and Federal Direct Payments for the average annual debt service on the Bonds for the periods shown below, had the City been collecting 1% of the Sales and Use Tax for payment of the Bonds, if then outstanding. See "THE SALES AND USE TAX—Sales and Use Tax Data." The debt service requirements for the Bonds are set forth in "—Debt Service Requirements" above.

TABLE II
Estimated Historical Debt Service Coverage [1, 2, 3]

	2004	2005	2006	2007	2008
Estimated Historical Pledged Revenues	$ 860,073	$ 944,500	$ 984,190	$1,224,985	$1,114,285
Average Annual Federal Direct Payments	202,811	202,811	202,811	202,811	202,811
Total Available Revenues	$1,062,884	$1,147,311	$1,187,001	$1,427,796	$1,317,096
Average Annual Debt Service on the Bonds maturing December 1, 2010 to December 1, 2019 [4]	$928,988	$928,988	$928,988	$928,988	$928,988
Average Annual Coverage Factor (with Federal Direct Payments) on the Bonds maturing December 1, 2010 to December 1, 2019	1.14x	1.24x	1.28x	1.54x	1.42x
Average Annual Debt Service on the Bonds maturing December 1, 2020 to December 1, 2029 [4]	$1,109,571	$1,109,571	$1,109,571	$1,109,571	$1,109,571
Average Annual Coverage Factor (with Federal Direct Payments) on the Bonds maturing December 1, 2020 to December 1, 2029	.96x	1.03x	1.07x	1.29x	1.19x
Average Annual Debt Service on the Bonds maturing December 1, 2030 to December 1, 2039 [4]	$1,280,434	$1,280,434	$1,280,434	$1,280,434	$1,280,434
Average Annual Coverage Factor (with Federal Direct Payments) on the Bonds maturing December 1, 2030 to December 1, 2039	0..83x	0.90x	0.93x	1.12x	1.03x

[1] As indicated in "TABLE IV-Monthly Comparison of Collections of Base Sales and Use Tax" for the last twelve month period as compared to the preceding month period, the City has collected 17.5% less in sales and use tax collections.
[2] The Internal Revenue Code of 1986 imposes requirements on the Taxable Series 2009B Bonds that the City must continue to meet after the Taxable Series 2009B Bonds are issued in order to receive the Federal Direct Payments. Although the City will covenant in a certificate delivered on the date of issuance of the Taxable Series 2009B Bonds to take the actions necessary to ensure receipt of the Federal Direct Payments, failure to comply with such covenant does not constitute an Event of Default under the Bond Ordinance. The amount of Federal Direct Payments will be based on the interest payable on the Taxable Series 2009B Bonds and, as a result, will vary over the term of such Taxable Series 2009B Bonds.
[3] Figures have been rounded.
[4] Averages are based on Total Gross Annual Debt Service, prior to any Federal Direct Payments subsidy.
Source: City Finance Department and Underwriter

The receipt of sales tax revenue is subject to the elastic nature of consumer spending. This causes Sales and Use Tax revenue to increase along with the higher prices brought about by inflation, but also causes collections to be vulnerable to adverse economic conditions and reduced consumer confidence which would result in reduced spending. The estimated historical Pledged Revenues of the City set forth in the table above may not be consistent with future Pledged Revenues of the City as a result of such changes in economic conditions.

BOND INSURANCE

The following information is not complete and reference is made to APPENDIX F for a specimen of the Bond Insurance Policy of Assured Guaranty.

The Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty will issue the Policy for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX F to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa2" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's") and "AA-" (negative outlook) by Fitch, Inc. ("Fitch"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

On July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on Assured Guaranty. At the same time, S&P revised its outlook on Assured Guaranty to negative from stable. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On May 20, 2009, Moody's issued a press release stating that it had placed the "Aa2" insurance financial strength rating of Assured Guaranty on review for possible downgrade. Subsequently, in an announcement dated July 24, 2009 entitled "Moody's Comments on Assured's Announcement to Guarantee and Delist FSA Debt", Moody's announced that it expected to conclude its review by mid-August 2009. Reference is made to the press release and the announcement, copies of which are available at www.moodys.com, for the complete text of Moody's comments.

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Assured Guaranty to "AA-" (negative outlook) from "AA" (ratings watch negative). Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

There can be no assurance as to the outcome of Moody's review, or as to the further action that Fitch or S&P may take with respect to Assured Guaranty.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009.

Acquisition of FSA

On July 1, 2009, AGL acquired the financial guaranty operations of Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance Inc. For more information regarding the acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009.

Capitalization of Assured Guaranty Corp.

As of June 30, 2009, Assured Guaranty had total admitted assets of $1,950,949,811 (unaudited), total liabilities of $1,653,306,246 (unaudited), total surplus of $297,643,565 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,084,906,800 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);

- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009);

- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009); and

- the Current Reports on Form 8-K filed by AGL with the SEC relating to the periods following the fiscal year ended December 31, 2008.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE—The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 31 West 52nd Street, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at http://www.sec.gov and at AGL's web site at http://www.assuredguaranty.com, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE".

THE SALES AND USE TAX

The Pledged Revenues for the payment of the debt service on the Bonds consists of the revenue derived from a 1.0% tax comprising a portion of the City's 3.0% Sales and Use Tax and interest earnings on moneys deposited in the Community Center Fund. The following information includes a description of the collection, administration, and enforcement procedures for the City's Sales and Use Tax.

Authority for the Imposition of the Sales and Use Tax

The Sales and Use Tax is imposed pursuant to Title 3 of the City Municipal Code (the "Sales and Use Tax Code"). The City currently imposes a voter-approved sales and use tax at the rate of 3.0%, which commenced January 1, 2009, which is an increase of 1% pursuant to an election held November 4, 2008. The 1% increase, the Pledged Sales and Use Tax, is required to be deposited to the Community Center Fund established solely for payment of the Bonds and the Parity Lien Bonds, if any. Such Pledged Sales and Use Tax shall be reduced from a rate of 1.0% to a rate of 0.4% on January 1st following the date on which the Bonds are paid in full (but in no event shall such reduction occur later than January 1, 2039) to provide for the constructing, improving, equipping, operating and maintaining of the Project.

The City also has a separate 3.0% accommodations tax which is imposed in addition to the Sales and Use Tax.

The Sales Tax. Pursuant to the Sales and Use Tax Code, the City's sales tax is imposed upon: the purchase price paid or charged upon all sales and purchases of tangible personal property at retail in the City; the purchase price paid or charged upon property exchanged; the price paid for telephone or telegraph services, the price paid for gas and electric service, the price paid for all meals and cover charges sold to the public, the price charged for rooms or accommodations, and the full purchase price of articles sold after manufacture or having been made to order (with the sales price being the gross value of all the materials, labor, service and the profit thereon, included in the price charged to the consumer).

The Sales and Use Tax Code provides that the following classes of tangible personal property and the following sales transactions, among others as more particularly described therein, are exempt from taxation: food and prescription drugs; occasional sales by a charitable organization; farm equipment used for agricultural purposes; and the sales and purchase of pesticides used for agricultural purposes.

The Sales and Use Tax Code additionally designates exemptions for: (A) all sales of personal property on which a specific ownership tax has been paid or is payable are to be exempt from sales tax when such sales meet both the following conditions: (i) the purchaser is a nonresident of, or has its principal place of business outside of, the City; and (ii) such personal property is registered or required to be registered outside the City limits of the City under the laws of the State. Further, every vendor vending individual items of personal property through coin-operated vending machines are to be exempt from the provisions of the Sales and Use Tax Code, but nevertheless such vender is to pay sales tax of 3% on the personal property sold in excess of ten cents so bended in the coin-operated machines unless the sales it otherwise exempt under the provisions of the Sales and Use Tax Code.

The Use Tax. The Use Tax is levied and collected for using or consuming in the City any construction or building materials, or storing, using and consuming in the City, motor vehicles, other vehicles on which registration is required, and mobile homes on which ad valorem property taxes have not been paid.

The Sales and Use Tax Code also provides that the following classes of tangible personal property and the following transactions are exempt from use tax: the storage, use or consumption of any tangible personal property, the sale of which is subject to the City retail sales tax as provided in the Sales and Use Tax Code; the storage, use or consumption of any tangible personal property purchased for resale in the City, either in its original form or as an ingredient of a manufactured or compounded product, in the regular course of a business; the storage , use or consumption of tangible personal property brought into the City by a nonresident thereof for his own storage, use or consumption while temporarily within the City, the storage, use of consumption of tangible personal property of the United States or the State or its institutions or its political subdivisions, in their governmental capacities only or by religious or charitable corporations, in the conduct of their regular religious or charitable functions; the storage, use or consumption of tangible personal property for use in the business of manufacturing or compounding for sale, profit or use, any article, substance or commodity which tangible personal property enters into the processing of or becomes an ingredient or component part of the product or service which is manufactured, compounded or furnished and the container, label or the furnished shipping case thereof; the storage, use or consumption of tangible personal property and household effect acquired outside the City and brought into it by a nonresident acquiring residency; the storage or use of a motor vehicle, other vehicle on which registration is required, or mobile home if the owner is or was, at the time of purchase, a nonresident of the City and he purchased the vehicle outside of the City for use outside the City and actually so used it for the primary purpose for which it was acquired and he registered, titled and licensed the motor vehicle, other vehicle on which registration is required, or mobile home outside the City; the use or consumption of any construction and building materials, and the storage, use and consumption of motor and other vehicles on which registration is required, and mobile home if a written contract for purchase thereof was entered into prior to November 10, 1980; the use or consumption of any construction and building materials required or made necessary in the performance of any construction contract bid, let or entered into at any time prior to November 10, 1980; the purchase by tax-exempt entities which would be otherwise taxable the Sales and Use Tax Code; for transactions consummated on or after January 1, 1986 the storage of construction and building material; and for transactions consummated on or after January 1, 1986, the City's use tax is not to be imposed with respect to the use or consumption of tangible personal property within the City which occurs more than three years after the most recent sale of the property if, within the three years following such sale, the property has been significantly used within the State for the principal purpose for which it was purchased. In addition, the Use Tax does not apply to the storage, use, or consumption of any article of tangible personal property the sale or use of which has already been subject to a sales or use tax of another statutory or home rule municipality.

Manner of Collection of the Sales and Use Tax

The collection, administration and enforcement of the Sales and Use Tax is performed by the City "Director of Revenue", who is to prescribe forms and reasonable rules and regulation for making of returns, for the ascertainment, assessment, and collection of the taxes imposed under the Sales and Use Tax Code, and for the proper administration and enforcement of the Sales and Use Tax Code. All money collected by the Director of Revenue is to be remitted monthly to the City Clerk by the Director of Revenue.

Sales Tax. Every retailer or vendor is, irrespective of the provisions as provided by the Sales and Use Tax Code, liable and responsible for the payment of an amount equivalent to 3% of all sales made by him of commodities or services as provided by the Sales and Use Tax Code (see "—Authority for the Imposition of the Sales and Use Tax" above), and before the fifteenth day of each calendar month make a return to the Director of Revenue for the preceding calendar month and remit an amount equivalent to said 3% on such sales to said director, less 3.3% of the sum so remitted to cover the vendor's expense in the collection and remittance of said tax. If any part of the payment if deficient due to negligence or intentional disregard of authorized rules and regulations with the knowledge thereof, but without the intent to defraud, there is to be added 10% of the total amount of the deficiency, and interest in such cast is to be collected at a rate of 0.5% per month, in addition to the interest provided by State statute, on the amount of such deficiency from the time the return was due, from the person required to file the return, which interest and addition is to become due and payable ten day after written notice and demand to him by the Director of Revenue. Penalties and interest are increased for cases of deliberate fraud as set forth in the Sales and Use Tax Code.

Use Tax. If any amount of Use Tax is not paid on or before the last date prescribed for payment, there is to be added 10% of the total amount of the deficiency and interest is to be collected at an annual rate established by the State commissioner of banking pursuant to the Sales and Use Tax Code. Penalties and interest are increased for cases of deliberate fraud as set forth in the Sales and Use Tax Code.

Notice of Deficiency. If taxes, penalty or interest imposed by the Sales and Use Tax Code are not paid within five days on Sales Tax, and ten days on Use Tax, after the same date due, the Director of Revenue is to issue a notice setting forth, among others, the name of the taxpayer and amounts due, and that the City claims a first and prior lien therefor on the real and tangible personal property. After said notice has been filed, the Director of Revenue may issue warrant directed to any duly authorized revenue collector, demanding him to levy upon, seize and sell sufficient for payment of amounts due, together with interest, penalties and costs, as may be provided by law.

Sales and Use Tax Data

History of City Sales and Use Tax Collections. The following table sets forth historical City Sales and Use Tax collections for the pre-existing 2% Sales and Use Tax (the "Base Sales and Use Tax") and the 1% Pledged Sales and Use Tax which went into effect on January 1, 2009. According to City officials, as of the date of this Official Statement, approximately 438 of the 621 Sales and Use Tax licenses issued are remitting sales tax to the City.

TABLE III
History of City Sales and Use Tax Collections [1]

Year	Base Sales Tax Collections	Base Use Tax Collections	Total Base Sales and Use Tax Collections	Percent Change	Pledged Sales and Use Tax Collections
2004	$ 737,308	$ 982,838	$1,720,146	--	$ --
2005	882,593	1,006,407	1,889,000	9.8%	--
2006	1,001,887	966,812	1,968,699	4.2	--
2007	1,201,264	1,248,706	2,449,970	24.5	--
2008	1,384,355	844,216	2,228,571	(9.0)	--
2009 [2]	796,787	314,678	1,111,465	--	546,568

[1] The City's Sales and Use Tax rate was 2.0% through December 31, 2008 (the "Base Sales and Use Tax"). The additional voter approved 1% Pledged Sales and Use Tax went into effect on January 1, 2009, increasing the total City Sales and Use Tax to 3.0%.
[2] Collections through August 31, 2009.
Source: City Finance Department

Monthly Comparison of Collections of Base Sales and Use Tax. The following table presents a comparison of monthly Base Sales and Use Tax receipts for the 12-month periods ended August 31, 2008 and 2009. Sales and Use Tax receipts generally lag retail sales by one month.

TABLE IV
Monthly Comparison of Collections of Base Sales and Use Tax [1]

	12-Month Period Ended August 30, 2008		12-Month Period Ended August 30, 2009	
Month	Current Month	Period To Date	Current Month	Period To Date
September	$212,541	$ 212,541	$205,162	$ 205,162
October	166,999	379,540	196,775	401,937
November	160,288	539,828	155,152	557,089
December	181,027	720,855	166,610	723,699
January	166,961	887,816	121,235	844,934
February	149,849	1,037,665	120,144	965,078
March	178,553	1,216,218	136,594	1,101,672
April	204,379	1,420,597	154,522	1,256,194
May	217,103	1,637,700	147,841	1,404,035
June	198,535	1,836,235	147,482	1,551,517
July	187,010	2,023,245	135,109	1,686,626
August	202,481	2,225,726	148,537	1,835,163

[1] The City's Base Sales and Use Tax rate was 2.0% through December 31, 2008 with the additional voter approved 1% Pledged Sales and Use Tax going into effect on January 1, 2009, increasing the total City Sales and Use Tax to 3.0%. The figures presented in this table include only the revenue received from the 2% Base Sales and Use Tax.
Source: City Finance Department

Top 10 Generators of Base Sales and Use Tax. Set forth in the following table are the City's principal Base Sales and Use Tax generators for 2008. Because of the confidential nature of the gross sales of the individual entities, the identity of vendors cannot be divulged by state law.

TABLE V
Top 10 Generators of 2008 Base Sales and Use Tax [1]

Business Type	Base Sales and Use Tax Receipts	Percent of Total Collections [2]
Utility	$168,489	7.5%
Food and Beverage Store	93,846	4.2
Wholesale Trade	77,482	3.5
Motor Vehicle and Parts Dealer	51,231	2.3
Motor Vehicle and Parts Dealer	48,817	2.2
Food and Beverage Store	44,125	2.0
Telecommunications/Broadcasting	37,935	1.7
Food Services and Beverage Establishment	29,268	1.3
Accommodation	28,930	1.3
Accommodation	26,297	1.2
Total	$606,420	27.2%

[1] The City's Base Sales and Use Tax rate was 2.0% through December 31, 2008 with the additional voter approved 1% Pledged Sales and Use Tax going into effect on January 1, 2009, increasing the total City Sales and Use Tax to 3.0%. The figures presented in this table include only the revenue received from the 2% Base Sales and Use Tax.
[2] Based on total 2008 Sales and Use Tax collections of $2,228,571.
Source: City Finance Department

THE CITY

Description

The City is located along Interstate 70 in the northwest portion of the County in the west central portion of the State, and is approximately 13 miles west of Grand Junction. The area's economy is based primarily on tourism, recreation, ranching and farming. The City encompasses approximately seven square miles and has a current estimated population of 10,947. The City was established in 1884, and upon voter approval of the Charter in 1981, became a home rule City form of government.

Governing Body

The City operates under a council-manager form of government whereby, except as otherwise provided by the Charter or statute, the Council exercises all powers conferred upon or possessed by the City and has the power and authority to adopt such laws, ordinances and resolutions as it deems proper in the exercise thereof. The City Manager serves as the chief administrative officer of the City government. The Council consists of six members, all of whom are elected at large by the registered voters of the City. The terms of all Council members are to be four years. At each regular election, three council members are elected. The Mayor, who is chosen by regular election for a term of two years, is the presiding officer of the Council, with voting powers only in the event of a tie vote of the Council. The Council elects from its membership a Mayor Pro-Tem to serve during the Mayor's absence or disability, also to serve a two year term. Pursuant to statute, with certain exceptions, no nonjudicial elected official of any political subdivision of the State can serve more than two consecutive terms in office; however, such term limitation may be lengthened, shortened or eliminated pursuant to voter approval.

The current Mayor and members of the Council, their principal occupations, length of service on the Council, and terms of office are set forth in the following table.

Name	Principal Occupation	Years of Service	Term Expires (April)
H. Kenneth Henry, Mayor	Real Estate	2.5	2010
Lori Buck, Mayor Pro-Tem	Small Business Owner	2.5	2010
R. Bruce Bonar	Chemist	0.5	2010
Nick Kohls	Retired Teacher	6.5	2010
Stacey Mascarenas	County-Real Estate	0.5	2012
Terry Moss	Medical Office Administrator	0.5	2012
Mel Mulder	Craftsman	6.5	2012

The Council effects its decisions through the passage of ordinances, resolutions, and motions. All legislative enactments must be in the form of an ordinance. Legislative enactments include, but are not limited to, adopting or amending an administrative code or establishing, altering or abolishing any department, office or agency; providing for a fine or other penalty or establishing a rule or regulation, for which a fine or other penalty may be imposed; levying a tax; conveying or authorizing the conveyance of any real property of the City and the lease of any real estate for a period of more than one year; and granting a franchise.

Administration

The council-manager form of government vests responsibility for day-to-day City operations in the City Manager and his staff. The Charter provides that, all the powers of the City are to be exercised by direction of the Council, with the City Manager being the chief administrative officer and the Mayor having separate powers and duties, as set forth therein. The City Manager and the City Attorney serve at the pleasure of the Council, with the City Manager responsible for appointing the City Clerk.

City Manager. The City Manager is the chief executive officer of the City. The City Manager is responsible to the Council for all City affairs placed in its charge by the Charter, the Council, or by law, including the oversight of all departments, offices and agencies of the City and directing the preparation of the City's annual budget. Clinton M. Kinney was appointed City Manager in 2002. His prior experience includes servicing in Durango, Colorado and Lenexa, Kansas in various management positions. Mr. Kinney holds a Bachelor of Arts degree in Business Administration and a minor in Economics from Fort Lewis College in Durango, Colorado, and a masters degree in Public administration from the University of Kansas. Mr. Kinney is an active member of the International City Managers Association and is currently serving as the president of the Colorado City and County Management Association.

City Clerk and Finance Director. The City Clerk is the custodian of the City's records, issues City licenses, conducts elections and performs such other duties as directed by the Charter, the Council or the City Manager. The Finance Director is responsible for providing accurate financial data for use in making informed decisions on the management of the City, and is responsible for preparation of the City's financial statements, investment of public funds and assisting the City Manager in preparation of the City's annual budget. The Finance Department provides general accounting services for the City, including accounts payable, payroll and utility billing.

Margaret Steelman was appointed City Clerk in 1984. She received certification as a city clerk from the University of Colorado. She also attended Mesa College in Grand Junction. Ms. Steelman was appointed as acting Finance Director in 1985, becoming the Finance Director in 1992. She attended Mesa College in Grand Junction. She has also served as Acting City Manager on numerous occasions. Ms.

Steelman is a member of the Colorado Government Finance Officers Association, the Government Finance Officers Association, the Colorado Municipal Clerks Association and the International Institute of Municipal Clerks Association.

City Attorney. Edward P. Sands was appointed as the City Attorney in 1994. He received his Artium Baccalaureatus (A.B.) degree in Political Science and History from Duke University and received her Juris Doctorate from the University of Nebraska. Mr. Sands has practiced law in the State of Colorado since 1977, specializing in real estate, commercial, probate and local government law. Mr. Sands carries memberships in the Colorado Municipal League and the Colorado Bar Association.

City Employees and Benefits

The City has 59 permanent full time employees, 9 part-time employees and 33 seasonal employees. According to City officials, the City has experienced significant growth in population in the last several years, requiring additional staff to provide service. Specifically, the City has expanded its park maintenance operations with the addition of trails and the 18 acre Little Salt Wash Park, resulting in the need for additional seasonal employees for parks maintenance. The police department has also increased part time staff to assist with clerical and records management functions of the department. Engineering staff has increased to provide project management and inspections for both capital projects and new residential and commercial development in the community. Recreation programs have expanded to provide more opportunities for the community, requiring additional instructors and staff to oversee the programs.

The City has worked to develop a comprehensive compensation package for its staff members. Full time employees earn vacation at rates which increase as the length of the employees service increases and receive sick leave at the rate of one day per month. City employees have 11 paid holidays each year. The City provides health insurance for employees. City employees also receive workers compensation, unemployment and social security benefits. None of the employees are unionized, and City management believes employee relations to be good.

Services Available to City Residents

The City provides a broad range of municipal services to the community including police; sidewalk repair services; wastewater collection and treatment; irrigation water; parks and recreation; and trash and recycling services. Fire protection is provided by the Lower Valley Fire Protection District. Utilities not provided by the City, including gas and phone service, are provided by public and private entities.

In addition, the City owns the Devils Canyon Center, a 22,000 square foot facility, which is leased to the Museum of Western Colorado for the operation of a dinosaur museum. The Devils Canyon Center is operated as an Enterprise Fund and is not supported through the General Fund.

Capital Improvements Plan

The City maintains a five year capital improvement plan. Projects over the next five years and the funding sources for such projects are included within different funds of the City. In addition the City anticipates issuing $30 million in new debt in 2009 or 2010 for the construction of a new wastewater facility. The City has also been approved for a loan through the Colorado Water Resources and Power Development Authority, which is expected to be repaid through monthly sewer charges and tap fee revenues of the sewer fund.

Current Capital Projects.

A portion of the net proceeds of the Bonds will be used to finance the Project as more particularly described in "THE BONDS—Application of Bond Proceeds—*The Project*. The purpose of this Project is to construct a community related facility that will house a multitude of recreation programs and activities, and to prove adequate spaces to meet the recreational needs of the community. Construction is expected to begin in November 2009 and is expected to be complete by January 2011.

CITY FINANCIAL INFORMATION

Accounting Policies

The accounts of the City are organized on the basis of funds and account groups. Such funds are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. For a description of the various funds and account groups, see the City's audited financial statements attached hereto. Financial operations are accounted for by the City's finance department. State law and the Charter require an annual audit to be made of the City's financial statements at the end of the fiscal year. The audited financial statements must be filed with the Council within six months after the end of the fiscal year and with the state auditor 30 days thereafter. Failure to file an audit report may result in the withholding of the City's property tax revenues by the county treasurer pending compliance.

The City's fiscal year 2008 financial statements, appended hereto, were audited by Dalby, Wendland & Co., P.C., Certified Public Accountants and Consultants, Grand Junction, Colorado. Such financial statements are the most current audited financial information available for the City.

Historical and Budgeted General Fund Financial Information

The governmental fund utilized for the general administration and operation of the City is the General Fund. Set forth hereafter is a five-year comparative statement of revenues, expenditures, and changes in fund balances for the City's General Fund. The following information should be read together with the City's financial statements and accompanying notes appended hereto. Preceding years' financial statements may be obtained from the sources noted in "MISCELLANEOUS—Additional Information."

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TABLE VI
History of General Fund Revenues, Expenditures and Changes in Fund Balances

	2004	2005	2006	2007	2008
Revenues:					
Taxes					
Property	$ 405,713	$ 442,114	$ 611,632	$ 652,317	$ 949,023
City Sales	737,308	882,593	1,001,569	1,201,264	1,384,355
County Sales	1,527,268	1,699,073	1,964,908	2,196,927	2,246,799
Use Tax	982,838	1,006,407	966,812	1,248,706	844,216
Other	273,630	313,750	410,989	440,567	546,493
Licenses and Permits	29,026	31,238	37,685	36,506	34,675
Intergovernmental	465,778	479,193	1,240,718	1,107,803	1,852,812
Charges for Services	259,004	309,748	398,583	294,449	363,616
Fines, Forfeitures and Assessments	55,394	62,374	58,631	67,207	63,476
Development Impact Fees	238,475	44,039	54,626	103,415	79,924
Investment Earnings	42,066	77,045	178,710	283,680	189,287
Rents and Royalties	25,019	18,726	24,162	34,788	31,085
Donations	25,336	17,593	10,683	8,485	11,469
Miscellaneous	22,317	8,876	9,131	24,315	7,740
Total Revenues	5,089,172	5,392,769	6,968,839	7,700,429	8,604,970
Expenditures:					
General Government	219,205	225,090	320,742	346,748	351,338
Administration	361,674	347,339	469,432	495,085	497,440
Engineering	213,039	246,773	241,869	322,577	313,372
Community Development	236,418	280,554	283,780	430,108	406,033
Public Safety	1,091,066	1,253,473	1,334,202	1,579,546	1,748,015
Public Works	873,290	1,031,259	1,230,093	1,467,926	1,490,319
Recreation	277,582	288,530	316,095	431,208	526,218
Non-Departmental	136,120	166,846	143,430	161,694	204,718
Capital Outlay	--	--	--	--	483,524
Total Expenditures	3,408,394	3,839,684	4,339,643	5,234,892	6,020,977
Excess of Revenues Over (Under) Expenditures	1,680,778	1,552,905	2,629,196	2,465,537	2,583,993
Other Financing Sources (Uses)					
Transfers In	113,200	139,700	165,400	165,600	162,400
Transfers Out	(1,167,382)	(1,069,684)	(1,386,811)	(1,066,986)	(1,511,870)
Capital Leases	--	--	44,952	--	--
Sale of Capital Assets	3,905	24,313	3,245	--	5,512
Total Other Financing Sources (Uses)	(1,050,277)	(905,671)	(1,173,214)	(901,386)	(1,343,958)
Net Change in Fund Balances	630,501	647,234	1,455,982	1,564,151	1,240,035
Fund Balance – Beginning	2,680,308	3,310,809	3,958,043	5,414,025	6,978,176
Fund Balance – Ending	$3,310,809	$3,958,043	$5,414,025	$6,978,176	$8,218,211

Source: City Audited Basic Financial Statements, 2004-2008

Budget and Appropriation Procedure. All City spending is in accordance with its annual budget, adopted pursuant to the procedure prescribed in the Charter. The City's fiscal year runs from January 1 through December 31. Pursuant to the Charter, on or before October 1 of each year, the City Manager must submit to the Council a complete City budget for the ensuing fiscal year. The budget must be a complete financial plan, including: (a) anticipated revenue from all sources other than the tax levy for the ensuing year, (b) general fund surplus or deficit at the end of the current fiscal year, (c) proposed expenditures for the operation of the City, (d) debt service requirements, (e) proposed capital projects and financing thereof for the ensuing year and five years thereafter, and (f) a balance between the proposed expenditures and the proposed available capital. The Council sets a public hearing on the budget, providing notice by publication ten days prior to such hearing. After the hearing, and on or before the first regular meeting in November, the Council adopts the budget by resolution, and on or before the first regular meeting in December, the Council adopts the tax levy. Subsequent to the adoption of the budget and on or before their first regular meeting in November, the Council passes the annual appropriation ordinance for the next fiscal year.

The Council, may, by ordinance, make additional appropriations during the fiscal year for unforeseen expenditures; however, such appropriations may not exceed the amount by which actual revenues are surpassing revenues proposed in the budget, except in emergency situations. By an affirmative vote of five or more, the Council may transfer unencumbered funds from one department to another; however, they may not transfer funds from any sinking fund, encumbered fund, or the capital project fund. The Council timely adopted the City's 2009 budget and appropriation resolution pursuant to the above described procedure and timely filed such budget with the State division of local government.

2008 and 2009 General Fund Budget Summary and Comparison. Set forth hereafter is a comparison of the City's 2008 and 2009 General Fund budgets, as amended, as compared to the 2009 actual year-to-date unaudited figures.

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TABLE VII
General Fund Budget Summary and Comparison

	2008 Budget (as amended)	2009 Budget (as amended)	2009 Actual Year-to-Date (unaudited) [1]
REVENUE			
Taxes			
Property	$ 951,350	$1,024,750	$ 988,318
City Sales	1,210,000	1,315,000	841,426
County Sales	2,300,000	1,840,000	1,257,509
Use Tax	950,800	426,000	324,972
Other	425,500	518,150	323,696
Permits and Licenses	34,500	34,000	13,940
Intergovernmental	992,292	1,195,313	239,529
Charges for Services	269,350	227,500	204,923
Fines, Forfeitures and Assessments	63,000	58,500	40,390
Development Impact Fees	80,000	100,000	71,256
Investment Earnings	200,000	45,000	44,788
Rents and Royalties	29,700	31,200	21,005
Donations	5,000	5,000	2,086
Miscellaneous	7,500	6,200	18,757
Total Revenues	7,518,992	6,826,613	4,392,595
EXPENDITURES			
Administration	591,100	651,525	426,412
Community Development	462,450	371,700	230,406
Culture and Recreation	619,450	1,139,775	846,350
Engineering	362,195	392,700	267,763
General Government	420,000	418,400	261,545
Public Safety	2,075,500	2,081,330	1,404,064
Public Works	1,895,350	1,766,700	1,321,144
Non-Departmental	262,000	226,400	179,492
Contingency	88,893	181,250	--
Total Expenditures	6,776,938	7,229,780	4,937,176
Excess of Revenues Over (Under) Expenditures	742,054	(403,167)	(544,581)
Other Financing Sources (Uses)			
Transfers In	164,400	164,600	82,300
Transfers Out	(2,542,495)	(1,967,804)	(125,926)
Sale of Capital Assets	--	--	--
Total Other Financing Sources (Uses)	(2,378,095)	(1,803,204)	(43,626)
Net Change in Fund Balances	(1,636,041)	(2,206,371)	(588,207)
Fund Balance – Beginning	6,978,176	8,218,211	8,218,211
Fund Balance – Ending	$5,342,135	$6,011,840	$7,630,004

[1] Unaudited actual figures through August 31, 2009.
Source: City 2008 and 2009 Budgets and the City

Retirement Matters

See Note 6 to the City's financial statements appended hereto for a discussion of the City's retirement plans.

Insurance Coverage

In the opinion of the City's management, the City's present insurance coverage is adequate. However, there can be no assurance that the City will maintain its present level of coverage. See also Note 7 to the City's financial statements appended hereto.

Deposit and Investment of City Funds

State statutes set forth requirements for the deposit of City funds in eligible depositaries and for the collateralization of such deposited funds. See also Note 4 to the City's financial statements appended hereto. The City also may invest available funds in accordance with applicable State statutes.

Constitutional Amendment Limiting Taxes and Spending

On November 3, 1992, Colorado voters approved an amendment to the Colorado Constitution, which is commonly referred to as the Taxpayer's Bill of Rights, or TABOR, and now constitutes Section 20 of Article X of the Colorado Constitution. TABOR imposes various limits and new requirements on the State of Colorado and all Colorado local governments which do not qualify as "enterprises" under TABOR (each of which is referred to in this section as a "governmental unit"). Any of the following actions, for example, now requires voter approval in advance: (a) any increase in a governmental unit's spending from one year to the next in excess of the rate of inflation plus a "growth factor" based on (i) for the State, the percentage change in State population, (ii) for a school district, the percentage change in student enrollment, and (iii) for any other local government, the net percentage change in actual value of all real property from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property; (b) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate "growth factor" referred to in clause (a) above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a state general election, at the governmental unit's regular biennial election or on the first Tuesday in November of odd numbered years, and must be conducted in accordance with procedures described in TABOR.

Revenue collected, kept or spent in violation of the provisions of TABOR must be refunded, with interest. TABOR requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending in 1995 and subsequent years. TABOR provides that "[w]hen [a governmental unit's] annual . . . revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, the [voter approval requirement for mill levy and other tax increases referred to in clause (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency." The preferred interpretation of TABOR shall, by its terms, be the one that reasonably restrains most the growth of government.

De-Brucing. At the election held on April 4, 2006, for the purpose of implementing the City's capital improvements, including the maintenance of capital improvements, voters of the City approved an election question allowing the City, without increasing existing tax rates or adding new taxes of any kind, from January 1, 2006 through December 31, 2012, to receive and expend all State grants and to collect, retain and expend all revenues generated, without regard to any limitations under TABOR.

DEBT STRUCTURE

The following is a discussion of the City's authority to incur general obligation indebtedness and other financial obligations and the amount of such obligations presently outstanding.

Required Elections

Article X, Section 20 of the Colorado Constitution requires that, except for refinancing bonded debt at a lower interest rate, the City must have voter approval in advance for the creation of any multiple-fiscal year direct or indirect City debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocable and held for payments in all future fiscal years. Enterprises, as defined in Article X, Section 20 of the Colorado Constitution, are excluded from the application of said Section and the voter approval requirements established therein. For a discussion of Article X, Section 20 of the Colorado Constitution, see the caption "CITY FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending."

Revenue and Other Financial Obligations

The City has the power to issue revenue obligations, subject to the election requirements described above, payable from the net revenue of City facilities, or payable in whole or in part from the proceeds of sales taxes. The City provides for the operation of certain of its services, such as irrigation water, sewer collection and treatment, trash collection and lease of the Devils Canyon Center, as enterprises which are not subject to the provisions of TABOR, see "CITY FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending." Upon the issuance of the Bonds, the City will have authorization to issue an additional $2,435,000 of revenue bonds for the financing of the Project.

Colorado Water Resources & Power Development Authority Loan ("CWRPDA"). In 1995, the CWRPDA loaned the City $155,435 for the construction of a sewer line extension (the "CWRPDA 1995 Loan"). As of December 31, 2008, the outstanding principal balance on the CWRPDA 1995 Loan was $39,478. The City anticipates borrowing additional moneys from CWRPDA in an amount not to exceed 27,000,000 in December 2009 for the construction of a new wastewater treatment facility, approximately two miles of interceptor sewer lines, a new lift station, and other system appurtenances ("CWRPDA 2009 Loan"). The City is to repay the CWRPDA 1995 Loan and the CWRPDA 2009 Loan from income and revenues earned by the City from or attributable to the ownership of the City's sewer system less all actual maintenance and operations costs of the City's sewer system.

Colorado Department of Local Affairs Loan. In 2002, the City entered into a loan agreement with the Colorado Department of Local Affairs Loan ("DOLA") for a loan from the Local Government Severance Tax Fund to fund the construction of the Greenway Business Park sewer line and sewer facility improvements. The original principal balance was $123,000 with annual payments of principal and interest of $15,929 through September 1, 2012, with such payments to be paid from the Sewer Fund. As of December 31, 2008 the current principal balance is $56,484.

Capital Leases. The Council has the authority to enter into installment or lease option contracts, subject to annual appropriation, for the purchase of property or capital equipment without prior electoral approval as described above in "—Required Elections." The City has one capital leases relating to vehicles with a current principal balance of $68,962.

General Obligation Debt

Debt Limit and Outstanding General Obligation Debt. Pursuant to the Charter, there is to be no limitation on the amount of bonds or other securities the City may issue, except as may be stated in the documents pertaining thereto. The City currently has no authorized but unissued general obligation indebtedness.

LEGAL MATTERS

Sovereign Immunity

The Governmental Immunity Act, Title 24, Article 10, of the Colorado Revised Statutes, as amended (the "Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the City, for injuries which lie in tort or could lie in tort.

The Immunity Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, $150,000; and (b) for an injury to two or more persons in any single occurrence, $150,000 per person not to exceed the sum of $600,000. Suits against both the City and a public employee do not increase such maximum amounts which may be recovered. The City may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the City is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten mills per annum for all outstanding settlements or judgments.

The City may be subject to civil liability and may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include, but are not limited to, suits filed pursuant to 42 U.S.C. § 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the City may be enjoined from engaging in anti–competitive practices which violate the antitrust laws. However, the Immunity Act provides that it applies to any action brought against a public entity or a public employee in any Colorado state court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Pending and Threatened Litigation

In connection with the issuance of the Bonds, the City Attorney will deliver a certificate stating that, as of the date of issuance of the Bonds, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or threatened against or affecting the City, wherein an unfavorable decision, ruling or finding would have a material adverse affect upon the City's ability to comply with its obligations under the Bond Ordinance.

Approval of Legality

Legal matters incident to the authorization and issuance of the Bonds are subject to approval by Kutak Rock LLP, Denver, Colorado, Bond Counsel. In addition to acting as Bond Counsel, Kutak Rock LLP has been retained to advise the City concerning, and has assisted the City in the preparation of, this Official Statement.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No Litigation Certificate

The Underwriter's purchase of the Bonds is conditioned on, among other things, receipt from the City Attorney and/or certain City officials of certification at closing that, other than as described herein, there is no litigation then pending, or to their knowledge threatened, affecting the validity of or security for the Bonds.

TAX MATTERS

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Bonds for the investors described below and is based on the advice of Kutak Rock LLP, as Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are "U.S. holders" (as defined below) who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Bonds. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Bond. A "non U.S. holder" is a holder (or beneficial owner) of a Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Series 2009A Bonds

General. In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2009A Bonds (referred to herein as the "Tax-Exempt Bonds") (a) is excluded from gross income for federal income tax purposes and (b) is not a specific item of tax preference nor included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Tax-Exempt Bonds to be excludible from gross income for federal tax purposes. The opinions set forth above are subject to continuing compliance by the City and others with such covenants. Failure to comply with such covenants could cause interest on the Tax-Exempt Bonds to be included in gross income retroactive to the date of issue of such Tax-Exempt Bonds.

The accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect the federal income tax liability of certain recipients such as banks, thrift institutions, property and casualty insurance companies, corporations (including S corporations and foreign corporations operating branches in the United States), Social Security or Railroad Retirement benefit recipients, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, among others. The extent of these other tax consequences will depend upon the recipients' particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences and investors should consult their own tax advisors regarding the tax consequences of purchasing or holding the Tax-Exempt Bonds.

Original Issue Premium. Certain of the 2009A Bonds are being sold at a premium (each a "Premium 2009A Bond"). An amount equal to the excess of the issue price of a Premium 2009A Bond over its stated redemption price at maturity constitutes premium on such Premium 2009A Bond. An initial purchaser of a Premium 2009A Bond must amortize any premium over such Premium 2009A Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium 2009A Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium 2009A Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium 2009A Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium 2009A Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium 2009A Bond.

Bank Qualified. The City has represented that it does not reasonably anticipate issuing greater than $30,000,000 of tax exempt obligations (excluding certain private activity and refunding bonds) in calendar year 2009 and that it has properly designated the Series 2009A Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code. Accordingly, Bond Counsel is of the opinion that in the case of certain banks, thrift institutions or other financial institutions owning the Series 2009A Bonds, a deduction is allowed for 80% of that portion of such institutions' interest expense allocable to interest on the Series 2009A Bonds. Bond Counsel has expressed no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by a holder of the Series 2009A Bonds or a related person to purchase or carry the Series 2009A Bonds.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Tax-Exempt Bonds if the purchasers, upon issuance, fail to supply the indenture trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the indenture trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the Tax-Exempt Bonds and the amount of tax withheld thereon.

Taxable Series 2009B Bonds

In General. The City intends to elect to designate the Taxable Series 2009B Bonds as taxable "Build America Bonds" pursuant to Section 54AA of the Code. Although the Taxable Series 2009B Bonds are issued by the City, interest on the Taxable Series 2009B Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Taxable Series 2009B Bonds will be fully subject to federal income taxation. Thus, owners of the Taxable Series 2009B Bonds generally must include interest on the Taxable Series 2009B Bonds in gross income for federal income tax purposes.

To ensure compliance with Treasury Circular 230, holders of the Taxable Series 2009B Bonds should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the Taxable Series 2009B Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

Because Build America Bonds are a relatively new product, and the investors and future investors therein may be different than the typical investors in tax-exempt bonds which have a more developed market, our discussion of the Taxable Series 2009B Bonds may be more detailed than our discussion of the Series 2009A Bonds.

Build America Bonds. The Taxable Series 2009B Bonds are expected to be issued as taxable, Build America Bonds as authorized by the Recovery Act. Pursuant to the Recovery Act, the City will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Taxable Series 2009B Bonds. The Internal Revenue Code of 1986 imposes requirements on the Taxable Series 2009B Bonds that the City must continue to meet after the Taxable Series 2009B Bonds are issued in order to receive the cash subsidy payments. These requirements generally involve the way that Taxable Series 2009B Bonds proceeds must be invested and ultimately used, and the periodic submission of requests for payments. If the City does not meet these requirements, it is possible that the City may not receive the cash subsidy payments.

Characterization of the Taxable Series 2009B Bonds. Kutak Rock LLP will render on the closing date, with respect to the Taxable Series 2009B Bonds, its opinion to the effect that the Taxable Series 2009B Bonds will be treated as debt (and not equity) of City for federal tax purposes.

If, alternatively, it were determined that the Taxable Series 2009B Bond transaction created an entity which was classified as a corporation or a publicly traded partnership taxable as a corporation, such entity would be subject to federal income tax at corporate income tax rates on the income it derives from the revenues derived from City operations, which would reduce the amounts available for payment to the Bondholders. Cash payments to the holders of the Taxable Series 2009B Bonds who are treated as equity owners generally would be treated as dividends for tax purposes to the extent of such corporation's accumulated and current earnings and profits. A similar result would apply if the holders of the Taxable

Series 2009B Bonds were deemed to have acquired stock or other equity interests. However, as noted above, City has been advised that the Taxable Series 2009B Bonds will be treated as debt of City for federal income tax purposes and that the transaction will not be characterized as an association or publicly traded partnership taxable as a corporation.

Characterization of the Bonds as Indebtedness. The City intends that, for federal income tax purposes, the Taxable Series 2009B Bonds will be indebtedness (as opposed to equity) created by the Bond Ordinance secured by the Pledged Revenues. The owners of the Taxable Series 2009B Bonds, by accepting such Taxable Series 2009B Bonds, have agreed to treat the Taxable Series 2009B Bonds as indebtedness of the City for federal income tax purposes. The City intends to treat the Taxable Series 2009B Bond transaction as a financing reflecting the Taxable Series 2009B Bonds as its indebtedness for tax and financial accounting purposes.

In general, the characterization of a transaction as a sale of property or a secured loan, for federal income tax, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized for state law or other purposes. While the Service and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form.

The City believes that it has retained the preponderance of the primary benefits and burdens associated with ownership of the Project and that as a result, the owners of the Taxable Series 2009B Bonds should not be treated as the owners of the Project for federal income tax purposes. If, however, the Service were successfully to assert that the Taxable Series 2009B Bond transaction should be treated as a sale of the Project, the Service could further assert that the entity created pursuant to the Bond Ordinance, as the owner of the Project for federal income tax purposes, should be deemed engaged in a business and, therefore, characterized as a publicly traded partnership taxable as a corporation.

Taxation of Interest Income of the Bonds. Payments of interest with regard to the Taxable Series 2009B Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code.

Payments of interest received with respect to the Taxable Series 2009B Bonds will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the Taxable Series 2009B Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the Taxable Series 2009B Bonds.

A purchaser (other than a person who purchases a Taxable Series 2009B Bond upon issuance at the issue price) who buys a Taxable Series 2009B Bond at a discount from its principal amount will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Taxable Series 2009B Bonds.

Sale or Exchange of Taxable Series 2009B Bonds. If a Bondholder sells a Taxable Series 2009B Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the Bondholder's basis in such Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15%. In February of 2009, President Barack Obama proposed increasing the long-term capital gains rate to 20%. the City and Bond Counsel cannot predict whether this increase will receive Congressional approval.

If the term of a Taxable Series 2009B Bond was materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a Taxable Series 2009B Bond should consult its own tax advisor concerning the circumstances in which the Taxable Series 2009B Bonds would be deemed reissued and the likely effects, if any, of such reissuance.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Taxable Series 2009B Bonds if the purchasers, upon issuance, fail to supply the applicable party or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the applicable party with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the Taxable Series 2009B Bonds and the amount of tax withheld thereon.

State, Local or Foreign Taxation. The City makes no representations regarding the tax consequences of purchase, ownership or disposition of the Taxable Series 2009B Bonds under the tax laws of any other state, locality or foreign jurisdiction (except as provided in "Exemption Under State Law" below). Investors considering an investment in the Taxable Series 2009B Bonds should consult their own tax advisors regarding such tax consequences.

Tax-Exempt Investors. In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any holder of a Taxable Series 2009B Bond incurs acquisition indebtedness with respect to a Taxable Series 2009B Bond, interest paid or accrued with respect to such Bondholder may be excluded by such tax exempt Bondholder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a Taxable Series 2009B Bond is urged to consult its own tax advisor regarding the application of these provisions.

Certain ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Taxable Series 2009B Bond could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the City or any Dealer of the Taxable Series 2009B Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if Taxable Series 2009B Bonds are acquired by such plans or arrangements with respect to which the City or any Dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Taxable Series 2009B Bonds. The sale of the Taxable Series 2009B Bonds to a plan is in no respect a representation by the City or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Taxable Series 2009B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Exemption Under State Tax Law

In Bond Counsel is further opinion, under State of Colorado existing statutes, the Series 2009A Bonds and the Taxable Series 2009B Bonds and the income therefrom are exempt from taxation in the State of Colorado, except inheritance, estate, and transfer taxes.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

MISCELLANEOUS

Ratings

S&P is expected to assign the rating to the Bonds as shown on the cover page hereof, with the understanding that, upon delivery of the Bonds, the Bond Insurance Policy will be issued by Assured Guaranty. Such ratings reflect only the view of such rating agencies. Any explanations of the significance of such rating should be obtained from S&P at 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the applicable rating agency if in the judgment of such rating agency circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

S&P has also assigned the underlying rating shown on the cover page, which is reflective of the capacity of the City to fulfill its payment obligations for the Bonds without giving effect to Bond Insurance Policy.

Underwriting

The Bonds are being sold by the City to the Underwriter at a discount of $92,352.75 pursuant to a bond purchase agreement entered into between the Underwriter and the City. Expenses associated with the issuance of the Bonds are being paid by the City from proceeds of the Bonds. The right of the Underwriter to receive compensation in connection with the Bonds is contingent upon the actual sale and delivery of the Bonds. The Underwriter has initially offered the Bonds to the public at the prices or yields set forth on the cover page of this Official Statement, plus accrued interest from the date of the Bonds. Such prices or yields may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds to the public.

Registration of Bonds

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, or the Colorado Securities Act, as amended. THE CITY ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.

Undertaking To Provide Ongoing Disclosure

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2–12 (17 CFR Part 240, § 240.15c2-12) ("Rule 15c2-12"), the City has covenanted, for the benefit of the holders of the Bonds, to provide certain financial information and other operating data and notices of material events after the Bonds are issued. The form of the City's Continuing Disclosure Undertaking for the Bonds is attached as APPENDIX A to this Official Statement. The City has not failed to comply with any of its previous undertakings.

Interest of Certain Persons Named in this Official Statement

The legal fees to be paid to Kutak Rock LLP are contingent upon the sale and delivery of the Bonds.

Independent Auditors

The basic financial statements of the City for the year ended December 31, 2008, which are appended hereto, have been audited by independent auditor, Dalby, Wendland & Co., P.C., Certified Public Accountants and Consultants, Grand Junction, Colorado as stated in their report appearing therein. Such audit has been included without the review and consent of the auditor.

Additional Information

Copies of constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information summarized or referred to herein are available as described in "INTRODUCTION."

Official Statement Certification

The preparation of this Official Statement and its distribution have been authorized by the Board. This Official Statement is not to be construed as an agreement or contract between the City and any purchaser, owner or holder of any Bond.

CITY OF FRUITA, COLORADO

By: /s/ H. Kenneth Henry
Mayor

APPENDIX A

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered as of November 12, 2009, by the City of Fruita, Colorado (the "City").

Section 1. Purpose. This Undertaking is being executed and delivered by the City in connection with that certain issue of Sales and Use Tax Revenue Bonds, Series 2009A in the aggregate principal amount of $2,440,000 and Sales and Use Tax Revenue Bonds (Federally Taxable—Issuer Subsidy—Build America Bonds), Series 2009B in the aggregate principal amount of $10,125,000 (collectively, the "Bonds"). The Bonds are issued pursuant to an approving ordinance of the City finally adopted by the Council of the City prior to the date of issuance of the Bonds (the "Bond Ordinance"). This Undertaking is intended to facilitate compliance with Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. § 240.15c2-12) (the "Rule"), and to assist the Underwriter, as a Participating Underwriter under the Rule, to comply with the Rule.

Section 2. Definitions. Capitalized terms in this Section and elsewhere in this Undertaking shall have the meanings set forth herein. Capitalized terms used but not defined herein shall have the meanings set forth in the Bond Ordinance. The following capitalized terms shall have the following meanings for purposes of this Undertaking:

"*Annual Financial Information*" means the financial information or operating data with respect to the City, provided at least annually, of the type included in the following tables in the Final Official Statement: Tables II, III, IV, V, VI, and VII. Any financial statements included in the Annual Financial Information shall be prepared in accordance with generally accepted accounting principles ("GAAP") and the Governmental Accounting Standards Board ("GASB"). Such financial statements may, but are not required to be, Audited Financial Statements.

"*Audited Financial Statements*" means the City's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State of Colorado.

"*EMMA*" means the MSRB's Electronic Municipal Market Access System, with a portal at http://emma.msrb.org.

"*Final Official Statement*" means the Official Statement with respect to the Bonds dated the date of adoption of the Bond Ordinance.

"*Material Event*" means any of the following events, if material, with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) nonpayment related defaults;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions or events affecting the tax exempt status of the Bonds;

(g) modifications to rights of holders of Bonds;

(h) bond calls (other than mandatory sinking fund redemptions);

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the Bonds; and

(k) rating changes.

"*Material Event Notice*" means written or electronic notice of a Material Event.

"*MSRB*" means the Municipal Securities Rulemaking Board. The current address of the MSRB is Suite 600, 1900 Duke Street, Alexandria, Virginia 22314; Facsimile: (703) 797-6700.

Section 3. Information To Be Provided. The City undertakes to provide the following information as provided herein:

(a) Annual Financial Information, which information may, at the option of the City, be included in the Audited Financial Statements provided pursuant to clause (b) below or be provided separately therefrom;

(b) Audited Financial Statements, if any; and

(c) Material Event Notices.

Section 4. Procedures for Providing Information.

(a) ***Annual Financial Information***. While any Bonds are Outstanding, the City shall provide the Annual Financial Information on or before July 31, 2010 and July 31 of each subsequent year (the "Report Date") to EMMA. If the City changes its fiscal year, it may change the Report Date to any date within 210 days of the end of the City's new fiscal year by written notice of the change of fiscal year and change in Report Date to EMMA. It shall be sufficient if the City provides to EMMA any or all of the City's Annual Financial Information by specific reference to (i) documents previously provided to EMMA; or (ii) documents filed with the Securities and Exchange Commission or, if such a document is a final official statement within the meaning of the Rule, available from the MSRB.

(b) ***Audited Financial Statements***. If not provided as part of the Annual Financial Information provided pursuant to "—Annual Financial Information" above, the City shall provide the Audited Financial Statements to EMMA, when and if such Audited Financial Statements are available while any Bonds are Outstanding.

(c) ***Material Events***. If a Material Event occurs while any Bonds are Outstanding, the City shall, in a timely manner, provide a Material Event Notice to EMMA, which Material Event Notice shall be captioned "Material Event Notice," shall prominently state the date, title and CUSIP numbers of the Bonds and shall describe the Material Event.

(d) ***Notices of Failure To Provide Annual Financial Information***. The City shall provide in a timely manner to EMMA, notice of any failure by the City while any Bonds are Outstanding to provide to EMMA, City's Annual Financial Information on or before the Report Date.

(e) ***Means of Transmitting Information***. Unless otherwise required by law and subject to technical and economic feasibility, the City shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the information to be received pursuant to this Undertaking.

Section 5. Termination. The obligations of the City under this Undertaking shall terminate immediately once the Bonds no longer are Outstanding. This Undertaking, or any provision hereof, shall be null and void in the event that the City delivers to EMMA, an opinion of Bond Counsel to the effect that those portions of the Rule which require this Undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; provided that the City shall have provided notice of such delivery and the cancellation of this Undertaking or any provision hereof to EMMA.

Section 6. Amendment. Notwithstanding any other provision of this Undertaking, this Undertaking may be amended by the City, without the consent of the holders of the Bonds, but only upon the delivery by the City to EMMA, of the proposed amendment and an opinion of Bond Counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Undertaking and by the City with the Rule and that such amendment complies with this Section. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City, or type of business conducted.

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment does not materially impair the interest of holders of the Bonds, as determined by Bond Counsel, or by approving vote of holders of the Bonds pursuant to the terms of the Bond Ordinance at the time of the amendment.

The initial Annual Financial Information provided by the City hereto after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change in the type of operating data or financial information being provided.

Section 7. No Event of Default. Any failure by the City to perform in accordance with this Undertaking shall not constitute an Event of Default under the Bond Ordinance, and the rights and remedies provided by the Bond Ordinance upon the occurrence of an Event of Default shall not apply to any such failure. If the City fails to comply with this Undertaking, any Owner of a Bond may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations hereunder.

Section 8. Governing Law. This Undertaking shall be governed by and construed in accordance with the laws of the State of Colorado; provided that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 9. Beneficiaries. This Undertaking shall inure solely to the benefit of the Underwriter and the holders from time to time of the Bonds, and shall create no rights in any other person or entity.

APPENDIX B

AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

DALBY, WENDLAND & CO., P.C.

464 MAIN STREET • P.O. BOX 430 • GRAND JUNCTION, COLORADO 81502-0430
TELEPHONE 970/243-1921 • FAX 970/243-9214 • www.dalbycpa.com

Honorable Mayor and City Council
City of Fruita
Fruita, Colorado

REPORT OF INDEPENDENT AUDITOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The summarized comparative information for the year ended December 31, 2007 was audited by other auditors whose report dated September 30, 2008 expressed an unqualified opinion on the information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fruita, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and on pages 1 through 28 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information for the General Fund and other major funds on pages 77 and 78 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The combining and individual non-major fund financial statements and supplementary schedules, and the Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary information, other than management's discussion and analysis, and the combining and individual non-major fund financial statements and supplementary schedules, and the Local Highway Finance Report have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

July 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Fruita's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2008. Please read this in conjunction with the financial statements which begin on page 31.

FINANCIAL HIGHLIGHTS

At the end of 2008, the City of Fruita remains in good financial condition and is well positioned to address any future declines in the economy. The City is in good condition primarily due to recent growth in population, new commercial development in the City and a strong regional economy as compared to much of the nation. While local revenues have increased significantly due to this strong economy, the City of Fruita has focused on tightly managing and controlling on-going operational expenses and has invested heavily in critical infrastructure and other capital projects. This conservative approach has created an efficient, sustainable on-going operating budget and has allowed for the accumulation of significant cash reserves. This model will continue to allow the City of Fruita to endure dynamic economic conditions.

Significant events occurring in 2008 include:

- Completion of the first two phases of construction and development of the Little Salt Wash Park,
- Acquisition of 40 acres of vacant land at 16 and L Road for future development as a park and school site with the City owning 27 acres and School District #51 owning the remaining 13 acres,
- Acquisition of 80 acres of vacant land at 15 Road north of the Colorado River as the site for the future wastewater treatment plant,
- Approval by voters of a sales and use tax increase, along with issuance of debt, for the construction of a new community recreation center,
- Completion of sewer and street improvements on East Ottley,
- Completion of sewer improvements on Coulson and Mulberry Streets,
- Completion of the roundabouts by CDOT at SH 340 and the I-70 interchange,
- Construction of a new hospital in Fruita which is anticipated to be completed in 2009,
- Construction and opening of Walgreens which has added to the sales tax base for the City,
- Continued public and private activity on the development of the Greenway Business Park,
- Continued implementation of the 2008 Community Plan with a significant amount of time

devoted to updating the Fruita Land Use Code

The City of Fruita's assets exceeded its liabilities at the close of 2008 by $56.6 million (*net assets*), an increase of $11.4 million (25%) from the close of 2007. This compares to a similar increase of $10.0 million (29%) in net assets from 2006 to 2007. Of the $56.6 million of net assets, 24% ($13.7 million) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted assets increased 10% ($1.26 million) from the prior year.

At the end of 2008, the unreserved and undesignated fund balance for the General Fund was $7.4 million or 98% of the total 2008 General Fund expenditures. This is an increase of 19% ($1.1 million) from 2007.

The City's cumulative cash and investments for all funds increased by $250,000 (2%) from $15.37 to $15.62 million. Of the total cash and investments of $15.62 million, approximately $1.88 million (12%) is restricted primarily for capital improvements for governmental activities, $5.7 million (37%) has been accumulated in the Sewer Fund to help offset costs that will be incurred with construction of a new waste water treatment facility including engineering and land acquisition and $8.16 million (52%) has been accumulated in the General Fund..

The City acquired $10.57 million of capital assets in 2008 which includes equipment, buildings, and infrastructure assets such as streets, storm water drainage, sidewalks, and sewer lines. Of the $10.57 million increase in capital assets, $2.47 million (24%) consisted of contributions of infrastructure assets as a result of new development and donated assets. An additional $1.29 million (12%) of the increase is for construction in progress for the Grand Valley Transit (GVT) transfer station and when completed, the asset will be transferred to GVT. Capital assets acquired or constructed by the City accounted for the remaining $6.81 million (64%) of the increase in capital assets.

The City's long term debt decreased by $701,126 in 2008. Total outstanding debt at the end of 2008 was $142,990.

The City's General Fund revenues increased 12% over the prior year. City sales tax revenues increased 15% from $1.20 million to $1.38 million. County sales tax revenues increased 2% over the prior year from $2.20 million to $2.25 million. Use tax revenues decreased 32% from $1.248,706 to $844,216 in 2008. Use tax on motor vehicles was down 3% and use tax on building materials was down 57% from the prior year. Severance tax and mineral lease revenues received by the City were up 128% from $650,589 to $1,486,250. Due to the unpredictable nature of this revenue source, the City uses it to fund capital expenditures versus on-going operational expenses.

Unrestricted assets in the <u>Sewer Fund</u> of $5.75 million reflect a decrease of 13% from the prior year. This is primarily due to the use of unrestricted assets for final engineering and design of a new waste water treatment facility and a reduction in revenue from the sale of sewer tap fees for new construction. Though not legally restricted or designated, the accumulation of unrestricted assets is necessary for the construction of a new sewer treatment plant which is tentatively scheduled to begin construction in 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Fruita's basic financial statements. The City of Fruita's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

- ***The statement of net assets*** presents information on all of the City of Fruita'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 City of Fruita is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Fruita that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Fruita include general government, public safety (police), public works, storm water management, parks and recreation, and marketing and promotion. The business-type activities of the City of Fruita include the provision of irrigation water, sewer collection and treatment, trash collection and lease of the Devils Canyon Center.

The government-wide financial statements can be found on pages 31 and 32 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 City of Fruita, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fruita can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 spendable resources*, as well as on balances of *spendable 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund which are considered to be major funds. In addition, information is presented separately for the Debt Service Fund (which is not considered a major fund) in order to provide consistency from year to year. Data from the other two special revenue governmental funds (Conservation Trust Fund and Marketing and Promotion Fund) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Fruita adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. .

The basic governmental fund financial statements can be found on pages 33 through 35 of this report.

- ***Proprietary funds.*** The City of Fruita maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Fruita uses enterprise funds to account for its Sewer, Irrigation Water, Trash and Devils Canyon Center activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Fruita's various functions. The City of Fruita uses an internal service fund to account for maintenance of its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

  Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Sewer and Trash operations which are considered to be major funds of the City of Fruita. Irrigation Water and Devils Canyon Center operations are non-major funds but are set forth in detail to provide consistency in reporting.

The basic proprietary fund financial statements can be found on pages 36 through 45 of this report.

- ***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Fruita's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

  The basic fiduciary fund financial statements can be found on pages 46 through 47 of this report.

- ***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51 through 73 of this report.

- ***Other information.*** In addition to the basic financial statement and accompanying notes, this report also presents required and other *supplementary information* including budget comparison schedules, combining statements and the annual financial report for the use of revenues from the state highway user's tax fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

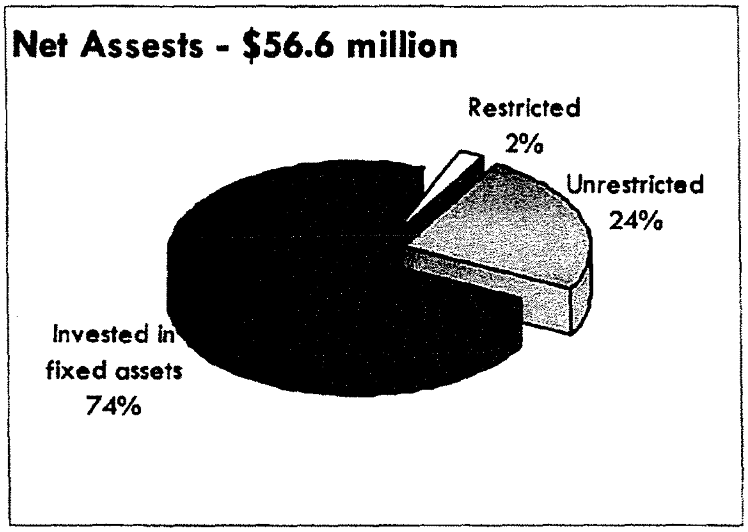
Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fruita, assets exceeded liabilities by $56.6 million at the close of 2008. Net assets increased 25% from $45.15 million at the end of 2007 to $56.6 million at the end of 2008.

By far the largest portion (74%) of the City of Fruita's net assets reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related outstanding debt used to acquire those assets. The City of Fruita uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fruita's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Investments in capital assets increased by 34% from 2007 ($31.01 million) to 2008 ($41.56 million).

CITY OF FRUITA NET ASSETS

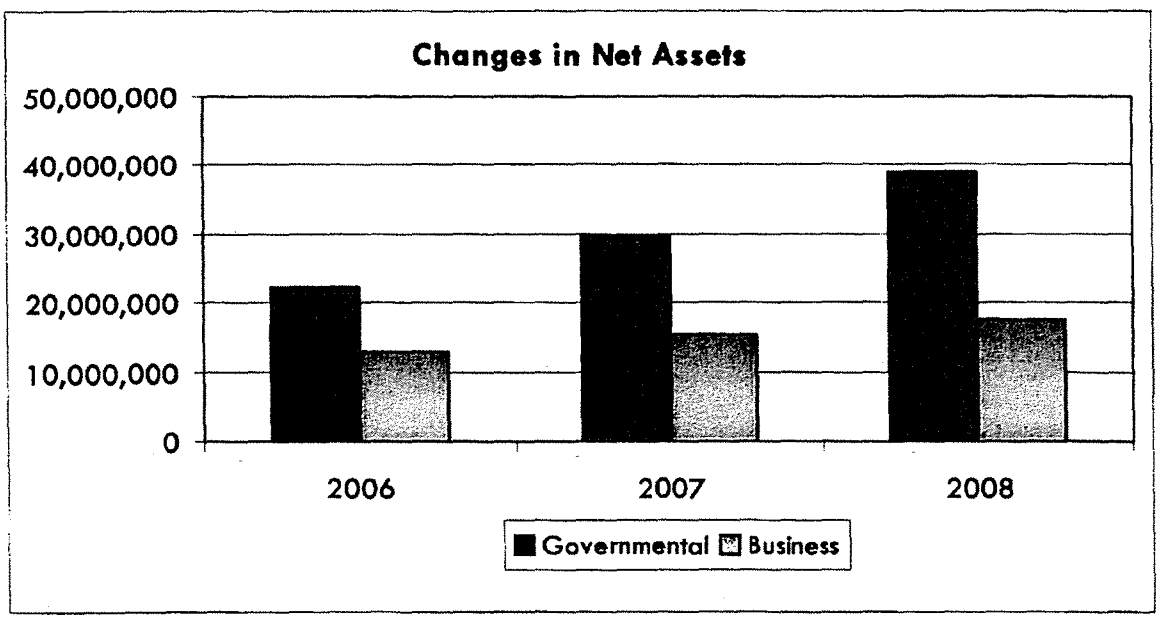
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and other assets	$12,265,820	$11,272,336	$ 6,438,923	$ 7,044,879	$18,704,743	$18,317,215
Capital assets	30,065,698	22,423,490	11,641,703	8,813,979	41,707,401	31,237,469
Total assets	42,331,518	33,695,826	18,080,626	15,858,858	60,412,144	49,554,684
LIABILITIES						
Long-term debt	12,029	656,037	86,088	188,679	98,117	844,716
Other liabilities	3,300,882	3,358,887	408,340	199,999	3,709,222	3,558,886
Total liabilities	3,312,911	4,014,924	494,428	388,678	3,807,339	4,403,602
NET ASSETS						
Invested in capital assets, net of related debt	30,042,184	22,389,010	11,522,227	8,625,301	41,564,411	31,014,311
Restricted	1,298,538	1,686,757	-	-	1,298,538	1,686,757
Unrestricted	7,677,885	5,605,135	6,063,972	6,844,879	13,741,857	12,450,014
Total net assets	$39,018,607	$29,680,902	$17,586,199	$15,470,180	$56,604,806	$45,151,082

An additional portion of the City of Fruita's net assets in the amount of $1.3 million (2% of the total net assets) represents resources that are subject to restrictions on how they may be used. Restricted assets decreased by 23% from 2007 ($1.69 million) to 2008 ($1.3 million). This decrease is due to the elimination of the reserve for a note receivable which was paid in full in 2008.



The remaining 24% ($13.74 million) of net assets is the amount of *unrestricted net assets* which may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net assets increased 10% from $12.45 million at the end of 2007 to $13.74 million at the end of 2008. Of this amount, $7.65 million is available for governmental activities and the remaining $6.06 million is available for business-type activities. The unrestricted net assets of business-type activities includes $5.75 million in the sewer fund. It is anticipated that the majority of these funds will be used to offset a portion of the cost of a new sewer treatment facility which will be needed within the next several years. The sewer treatment facility is estimated to cost between $25 and $30 million.

Changes in Net Assets. The City's total revenues of $19.29 million exceeded program expenses



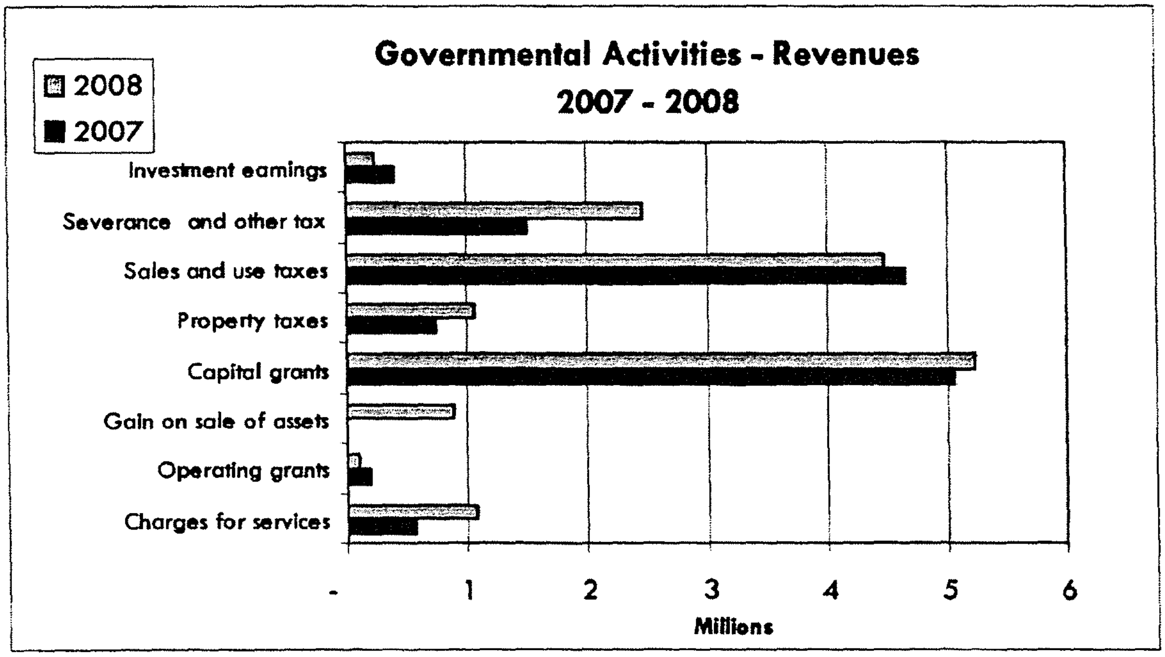
of $7.83 million for an increase in net assets of $11.45 million.

CITY OF FRUITA'S CHANGES IN NET ASSETS

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	$ 1,082,947	$ 561,239	$ 2,022,372	$ 1,642,047	$ 3,105,319	$ 2,203,286
Operating grants and contributions	102,484	193,471	-	-	102,484	193,471
Capital grants and contributions	5,231,946	5,046,770	1,577,784	2,359,471	6,809,730	7,406,241
General revenues:						
Property taxes	1,066,736	732,941	-	-	1,066,736	732,941
Sales and use taxes	4,475,370	4,646,896	-	-	4,475,370	4,646,896
Other taxes	2,459,624	1,496,918	-	-	2,459,624	1,496,918
Other	1,128,282	394,628	142,894	271,113	1,271,176	665,741
Total revenues	15,547,389	13,072,863	3,743,050	4,272,631	19,290,439	17,345,494
Expenses:						
General government	1,900,694	2,223,283	-	-	1,900,694	2,223,283
Marking and promotion	102,212	106,444	-	-	102,212	106,444
Parks and recreation	915,094	795,742	-	-	915,094	795,742
Public works	1,582,689	1,325,366	-	-	1,582,689	1,325,366
Public safety	1,851,213	1,505,183	-	-	1,851,213	1,505,183
Stormwater management	-	-	-	-	-	0
Interest on long-term debt	20,182	30,678	-	-	20,182	30,678
Devils Canyon Center	-	-	42,493	37,367	42,493	37,367
Irrigation water	-	-	89,989	89,685	89,989	89,685
Sewer	-	-	834,644	758,515	834,644	758,515
Trash	-	-	497,505	447,232	497,505	447,232
Total expenses	6,372,084	5,986,696	1,464,631	1,332,799	7,836,715	7,319,495
Increase in net assets before transfers	9,175,305	7,086,167	2,278,419	2,939,832	11,453,724	10,025,999
Transfers	162,400	290,200	(162,400)	(290,200)	-	-
Increase in net assets	9,337,705	7,376,367	2,116,019	2,649,632	11,453,724	10,025,999
Net assets - 1/01/2008	29,680,902	22,304,535	15,470,180	12,820,548	45,151,082	35,125,083
Net assets - 12/31/2008	$ 39,018,607	$ 29,680,902	$ 17,586,199	$ 15,470,180	$ 56,604,806	$ 45,151,082

Governmental activities. Governmental activities increased the City of Fruita's net assets by $9.33 million thereby accounting for 82% of the total growth in the net assets of the City of Fruita. The following graph illustrates the program revenues and expenses for governmental activities.

Revenues were $15.7 million in 2008, representing an 18% increase ($2.47 million) over 2007 revenues of $13.36 million.



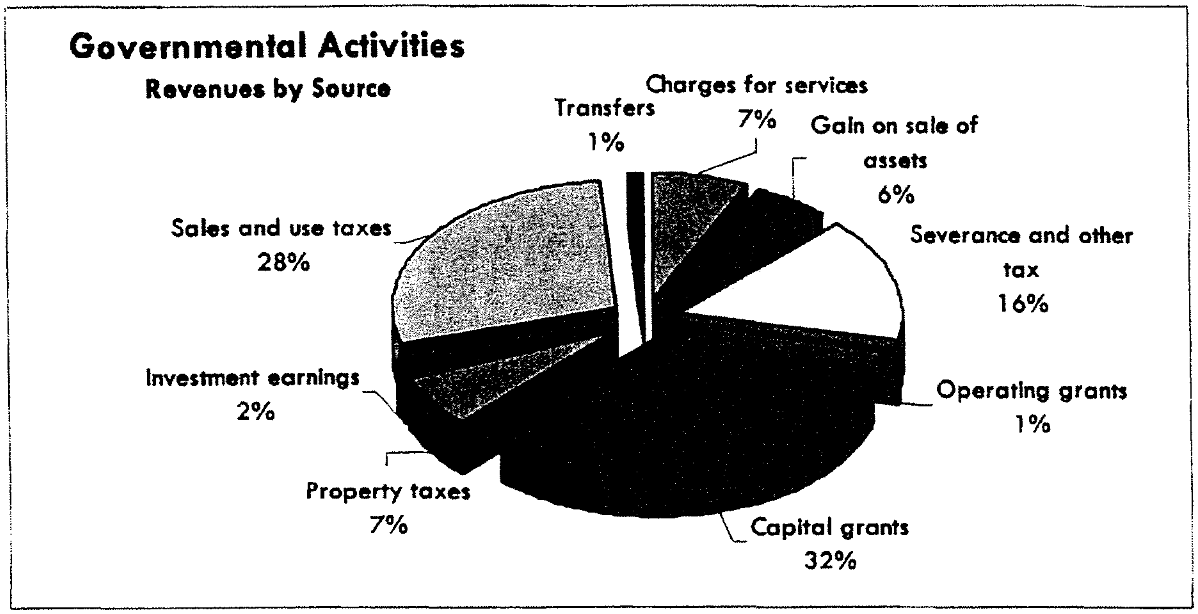
Capital grants and contributions of $5.23 million were the largest source of revenues for governmental activities and increased by 4% from 2007 revenues of $5 million. Many of these revenues sources are related to specific projects and are non-recurring revenue sources. Capital grants and contributions include developer contributions of capital assets of $1.97 million, grants and contributions from other agencies of $2.88 million and development impact fees used in construction of capital assets of $369,613.

Sales and use tax revenues were the second largest source of revenue at $4.47 million. This represents a decrease of 3.7% from 2007 revenues of $4.65 million. The decrease is a result of declining use tax revenues for building materials and motor vehicles.

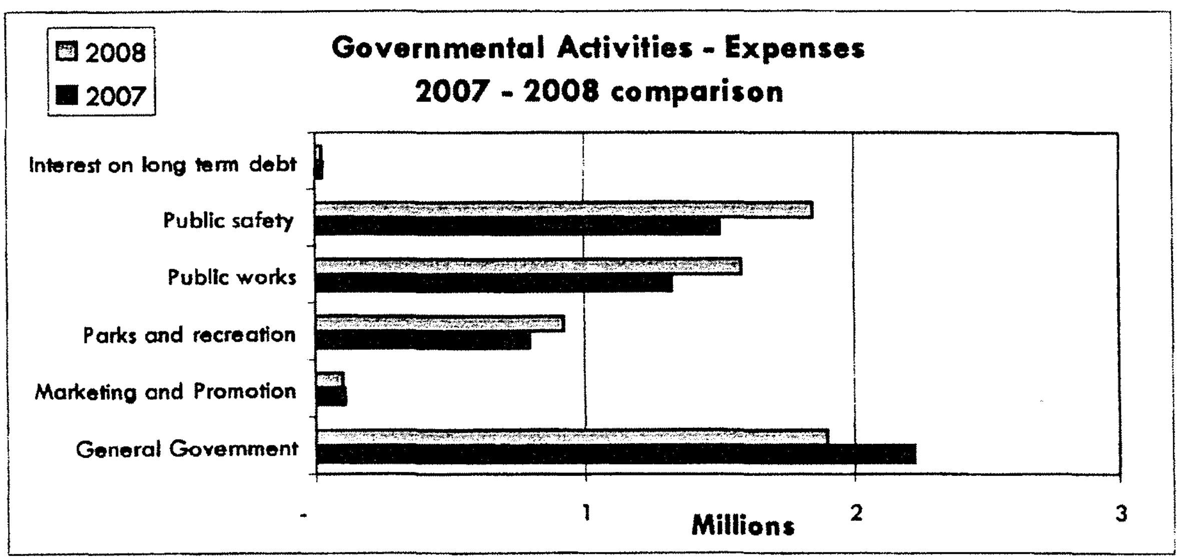
Severance and other taxes of $2.46 million increased by 64% from 2007 revenues of $1.5 million. Severance and mineral lease taxes, a component of this category increase by 128%. These revenues are distributed by the State of Colorado based on formulas which take into account the amount of federally owned land leased for mineral extraction in the region and the number of energy related employees living in the city limits. Other taxes include franchise fees and cigarette taxes.

Property taxes increased by 45.5%. The assessed valuation of property in the City of Fruita increased

7.8% from $93.7 million in 2007 to $101 million in 2008. The valuation of new construction and annexations accounts for 76% of the increase.
Expenses for governmental activities were $6.37 million in 2008, an increase of 6.4% ($385,388)



from 2007 expenses of $5.99 million.
General government expenses represent 30% of the total expenses of governmental activities and



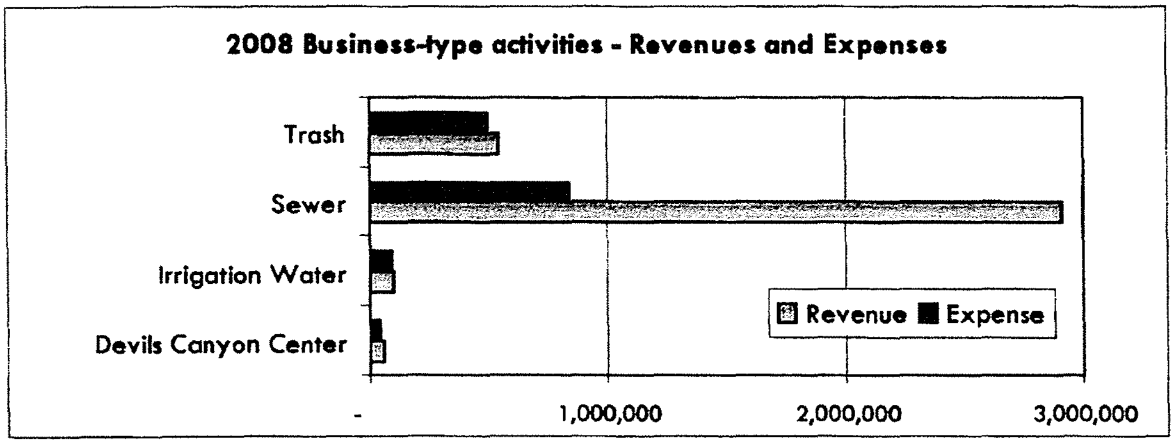
decreased 15% from 2007 expenses. General government activities include administration, general government, engineering, and community development related expenses.

Public safety expenses represent 29% of the total governmental activity expenses. Public safety expenses increased by 23%.

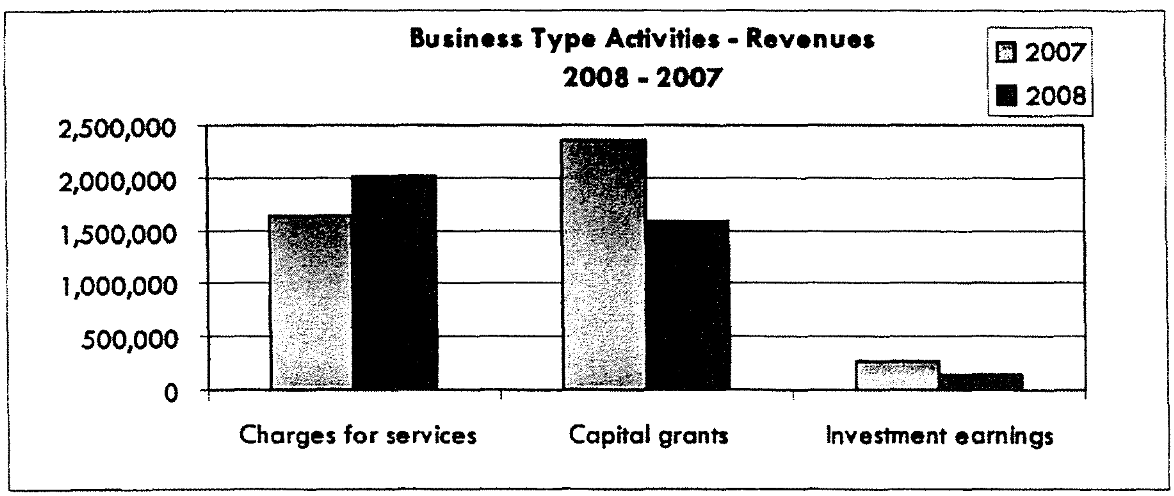
Public works expenses are the third largest area of expense at 25% of the total expense of governmental activities. Public works expenses increased 19% in 2008.

Business-type activities. Business-type activities increased the City of Fruita's net assets by $2.1 million from $12.82 million to $15.47 million thereby accounting for 18% of the total growth in the net assets of the City of Fruita. The following graph illustrates the program revenues and expenses for business-type activities.

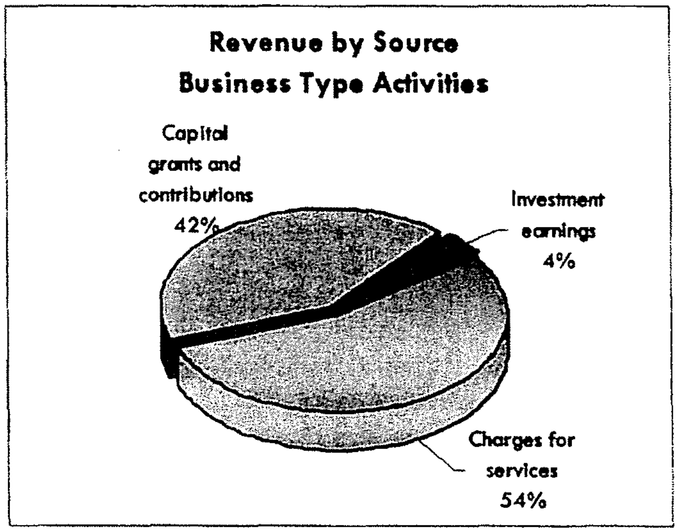
Revenues for business-type activities were $3.74 million in 2008. This is a decrease of 12% from



2007 revenues of $4.27 million and is largely due to a decrease in revenue from sewer tap fees.



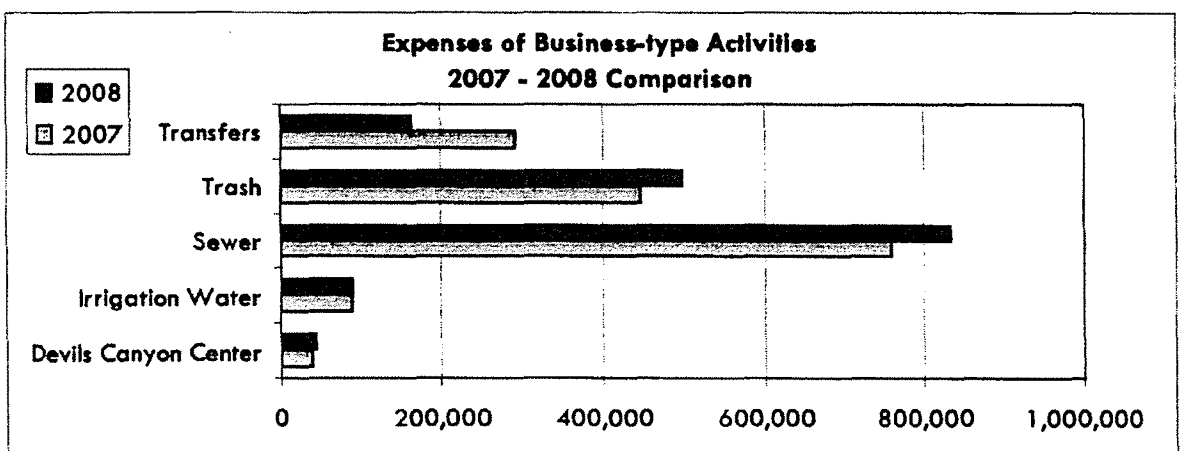
Charges for services were the largest source of revenue for business-type activities at $2.0 million representing 54% of the total revenues. Charges for services increased 23% over the prior year (from $1.64 million to $2.02 million). This was a result of both an increase of 5% in the number of users of sewer and trash services (4,181 in 2007 to 4,400 in 2008) and an increase in monthly rates. Sewer rates increased by 25%, irrigation system maintenance rates increased 24% and trash rates increased by 2%. In addition, a variable fuel surcharge was added to the trash charge to offset increased fuel costs.



Capital grants and contributions of $1.57 million were the second largest source of revenue for business-type activities at 42% of the total revenue. Capital grants and contributions decreased by 33% from the prior year. This decrease is primarily due to a slower rate of new construction and a 54% reduction in revenues from sewer tap fees. Capital grants and contributions include:

- Tap fees of $722,720 ($1,572,215 in 2007),
- Developer contributions of capital assets of $474,888 ($443,676 in 2007), and
- Grants and contributions from other agencies of $380,176 ($274,480 in 2007).

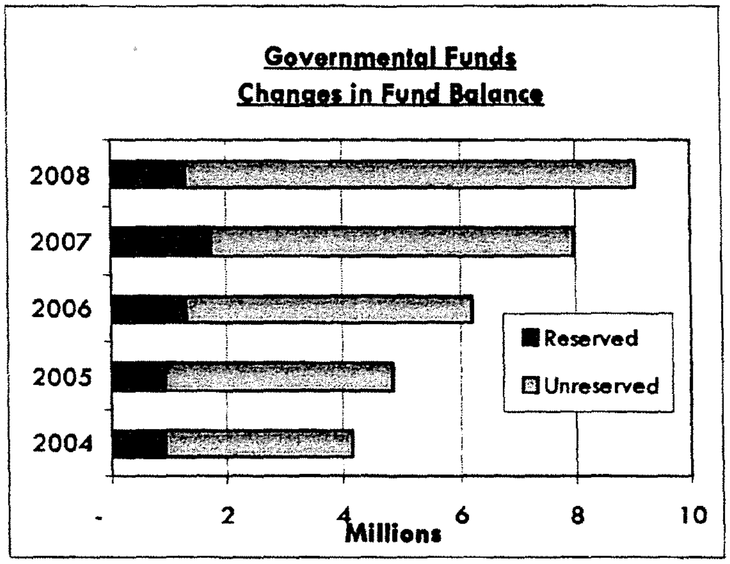
Expenses for total business-type activities were unchanged from the prior year at $1.62 million. However, operating expenses (excluding transfers) increased by 10% and transfers to other funds decreased by 10%. Increases in operating expenses are a result of the increased number of customers served and reflect higher costs including personnel services and fuel costs.



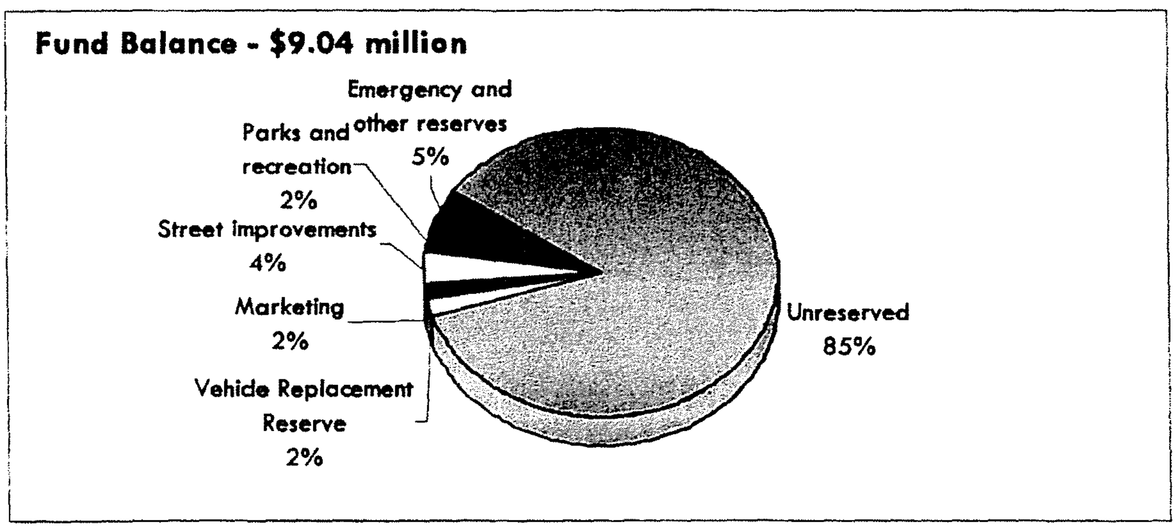
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Fruita uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

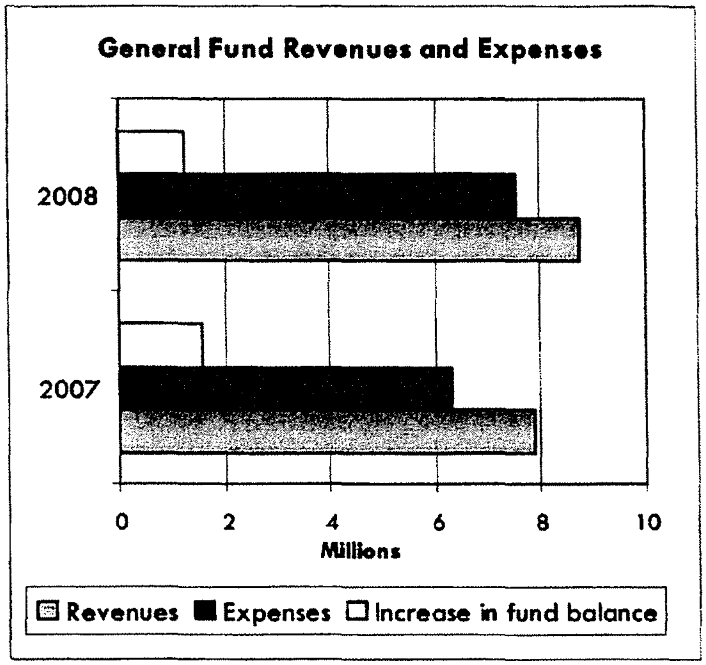
Governmental funds. The focus of the City of Fruita's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fruita's financing requirements. In particular, *unreserved fund balance* may serve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



At the end of the year, the City's governmental funds (general, special revenue, capital projects and debt service) reported a combined ending fund balance of $9.04 million, an increase of 13% ($1.06 million) from the prior year fund balance of $7.98 million. Of this $9.04 million in fund balance, $7.74 million (85%) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remaining 15% of fund balance ($1.3 million) is *reserved* to indicate that it is not available for new spending because it has already been committed or restricted in use for other purposes.



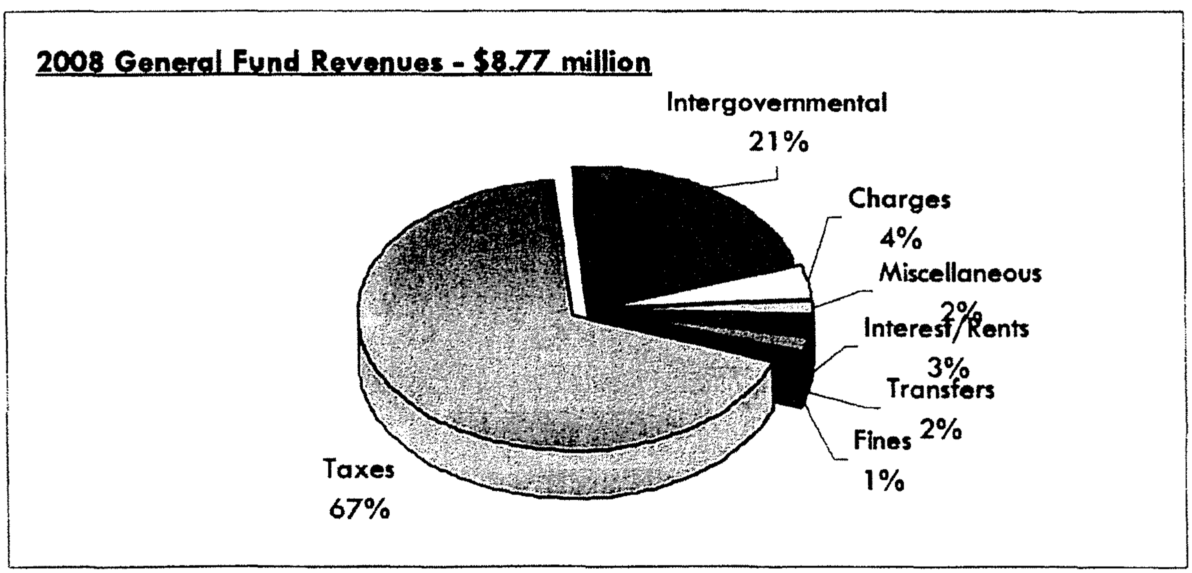
Reserved fund balances of $1.3 million decreased by $25% from the prior year. The key element of this decrease is the elimination of the reserve for a note receivable which was paid off in 2008.



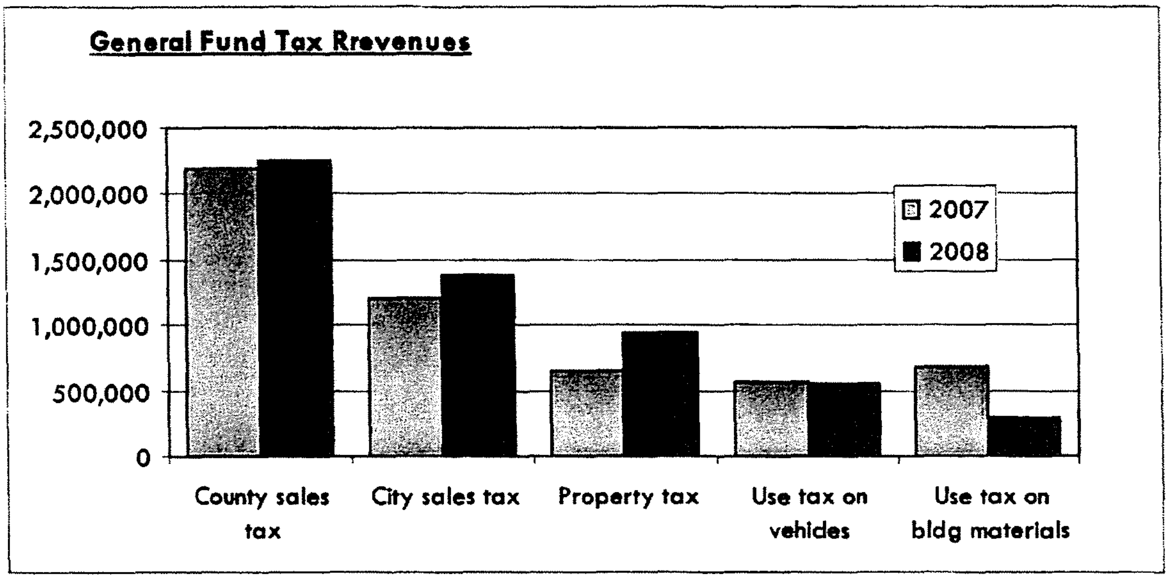
General Fund. The General Fund is the primary operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance, or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

The unreserved fund balance of the General Fund was $7.4 million while the total fund balance was $8.2 million. Total fund balance increased 18% ($1.24 million) from the prior year. The unreserved fund balance represents 98% of actual expenses for 2008.

Revenues exceeded expenses in the General Fund by $1.24 million. General Fund revenues increased 12% ($906,853) from $7.86 in 2007 to $8.77 million in 2008. Taxes continue to be the

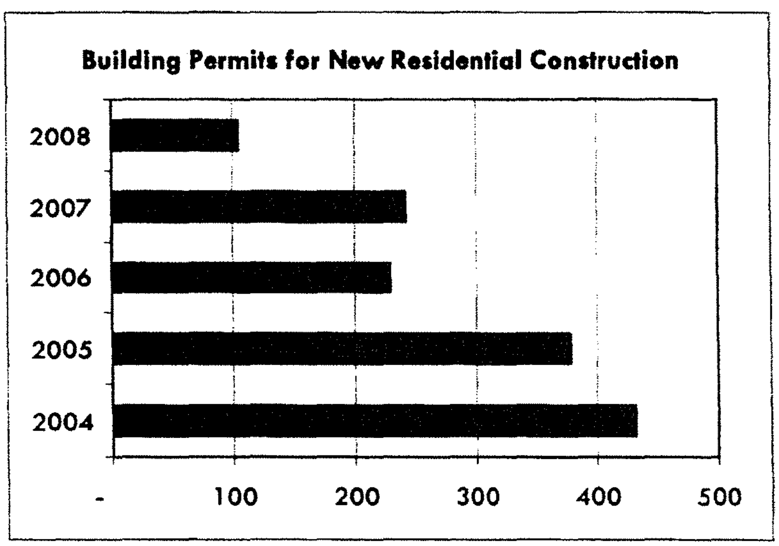


largest sources of revenue in the General Fund and represent 67% of the total revenues in the General Fund.

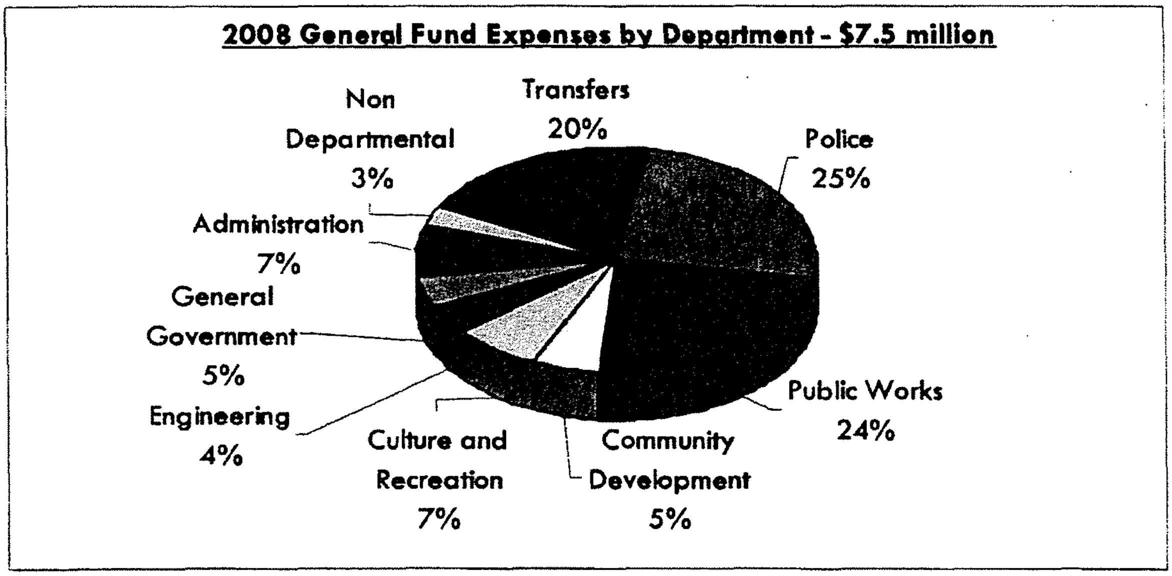


Tax revenues increased 4% ($231,105) over the prior year. The following graph shows the changes in tax revenues.

City sales tax revenues increased 15.2% over the prior year. County sales tax revenues increased 2.3%. Property tax revenues increased 45%. Use tax revenues on building materials decreased by 57.3% and motor vehicle use tax decreased 2.6%. The increase in sale and property tax revenues is a result of the continued growth in population of the City. The decrease in use tax revenues reflects a significant slow down in the construction of new homes and commercial properties as well as reduction in consumer spending on big ticket items such as motor vehicles. In the 5 year period from 2004 through 2008, the City of Fruita issued 1,383 permits for new residential construction which represents a 32% increase in housing units, or an average annual growth rate of 6%.



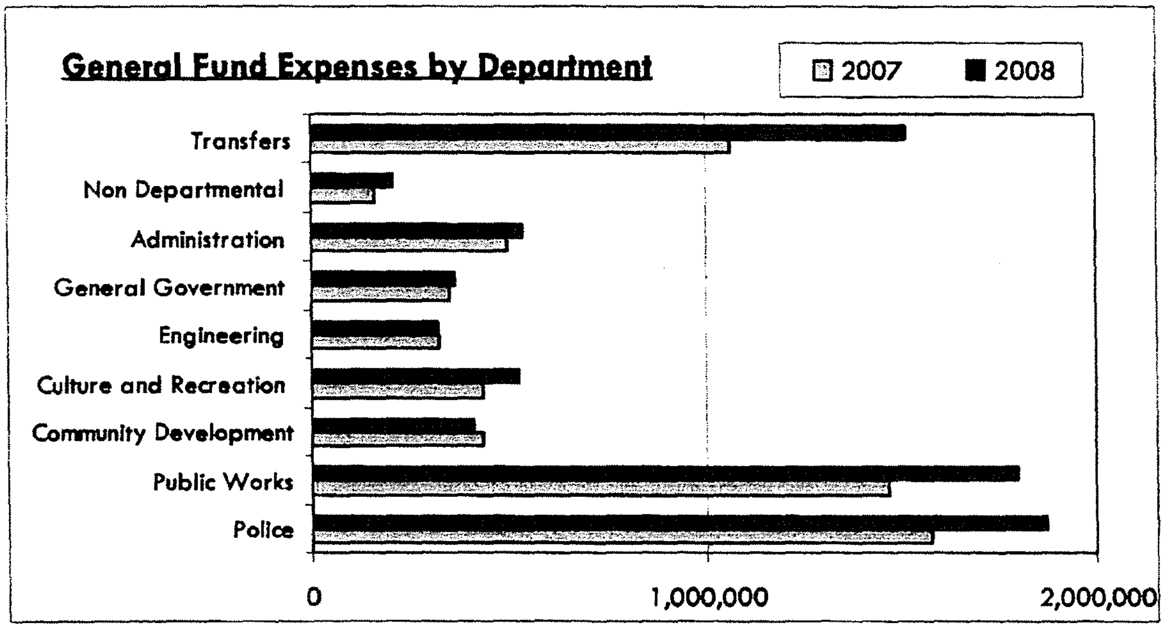
Intergovernmental revenues represent 21% of General Fund revenue. These revenues increased by 67% ($745,009) in 2008. This increase is primarily due to an increase of 128% ($835,661) in severance tax and mineral lease revenues received by the City in 2008. These revenues account for the 80% of the total intergovernmental revenues in the General Fund. Severance tax and mineral lease revenues are distributed by the State of Colorado based on formulas which take into account the number of residents employed in the energy field and the amount of public lands in the County leased for mineral extraction. The legislature has amended the formulas for distribution of these revenues which may have an adverse impact on the City in future years. Due to the unpredictability of the mineral lease and severance tax revenues, the City of Fruita has informally designated these revenues for use on one time expenditures such as capital projects in order to reduce reliance on this revenue source for operational costs. Intergovernmental revenues also include funds received from the State Highway Users Tax Fund. These revenues increased by 2% and are distributed by the State based on the number of miles of streets maintained by the City. Annual reports are filed for changes in miles of streets maintained by the City as well as financial reports showing road and bridge expenditures for the year. A copy of the Local Highway Finance Report is included in the financial statements on pages 86 and 87.



Expenses. General Fund expenses increased 19.5% ($1.23 million) from $6.3 million in 2007 to $7.53 million in 2008. As the following graph shows, Police and Public Works are the two largest areas of expense in the General Fund at 25% and 24%, respectively, of the total General Fund expenses. The third largest area of expense (20%) is transfers to other funds.

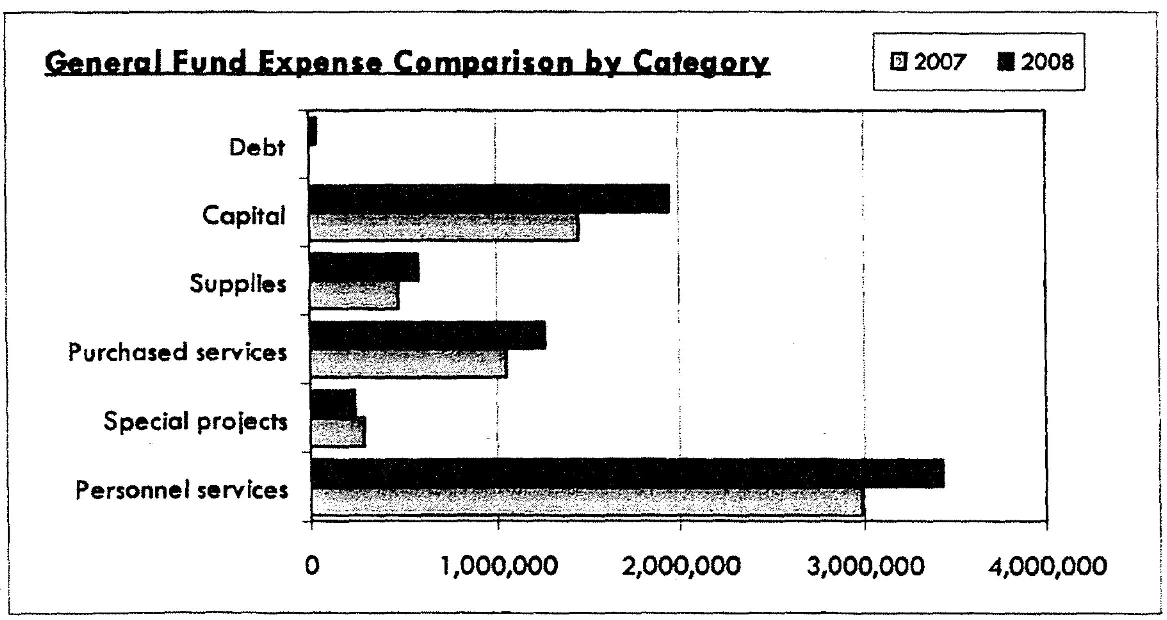
The following chart shows changes in departmental expenses from 2007 to 2008. Highlights of the increase in expenses include:

- Transfers to other funds increased 41.7% ($444,884). This was primarily due to an increase in the transfer to the Capital Projects Fund for various capital projects.



- Public Works expenses increased 22% ($328,184).
- Public Safety expenses increased 18.5% ($292,478).

The next chart shows the same expenses noted above but categorized by type of expense.



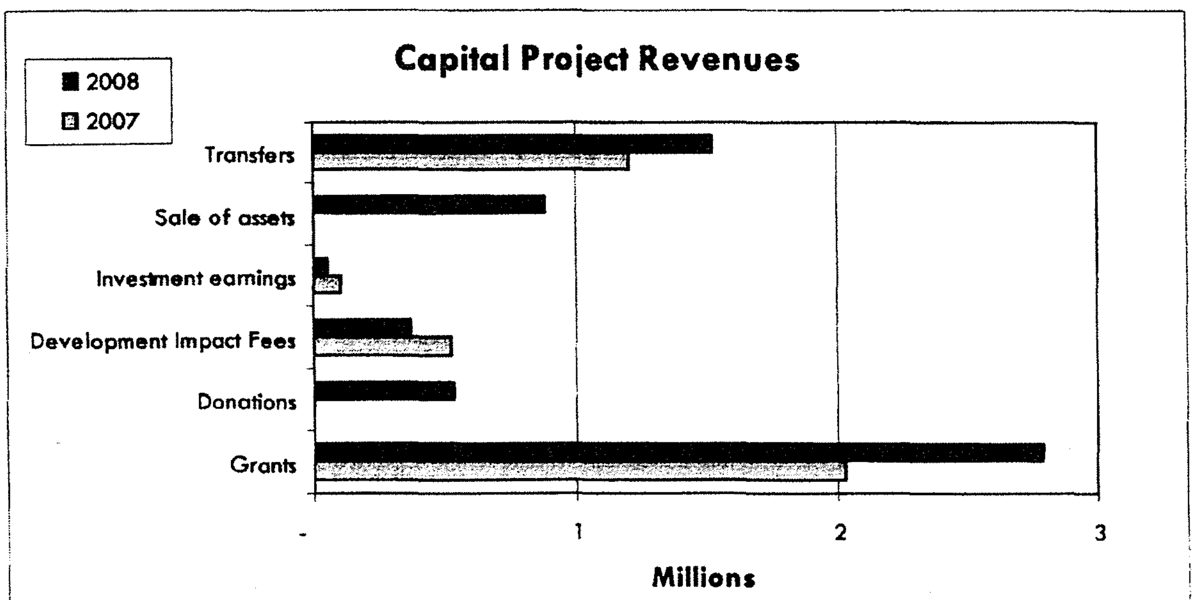
- Personnel services are the largest expense category at 46% of the total General Fund expenses. Personnel services increased 15% ($447,519) over the prior year. This increase reflects the addition of two full time employees (one maintenance worker and one recreation program coordinator), three part time employees (two maintenance workers and a police records clerk), as well as pay plan adjustments including an additional mid year adjustment to police officer salaries. Health insurance costs increased by 20%. To help offset this increase, employees began contributing 5% of the cost of health insurance for dependents and family members.

- Capital expenses represent the second largest expense category at 26% of the total General Fund expenses and increased 34% over 2007 expenses. Capital expenses include the purchase of capital equipment and transfers to the Capital Projects Fund for capital projects.

- Purchased services represent the third largest area of expense at 17% of the total General Fund expenses and reflect an increase of 19% ($171,891) over the prior year. Two of the most significant increases in this area include increased expenses for road maintenance and 911 dispatch center charges.

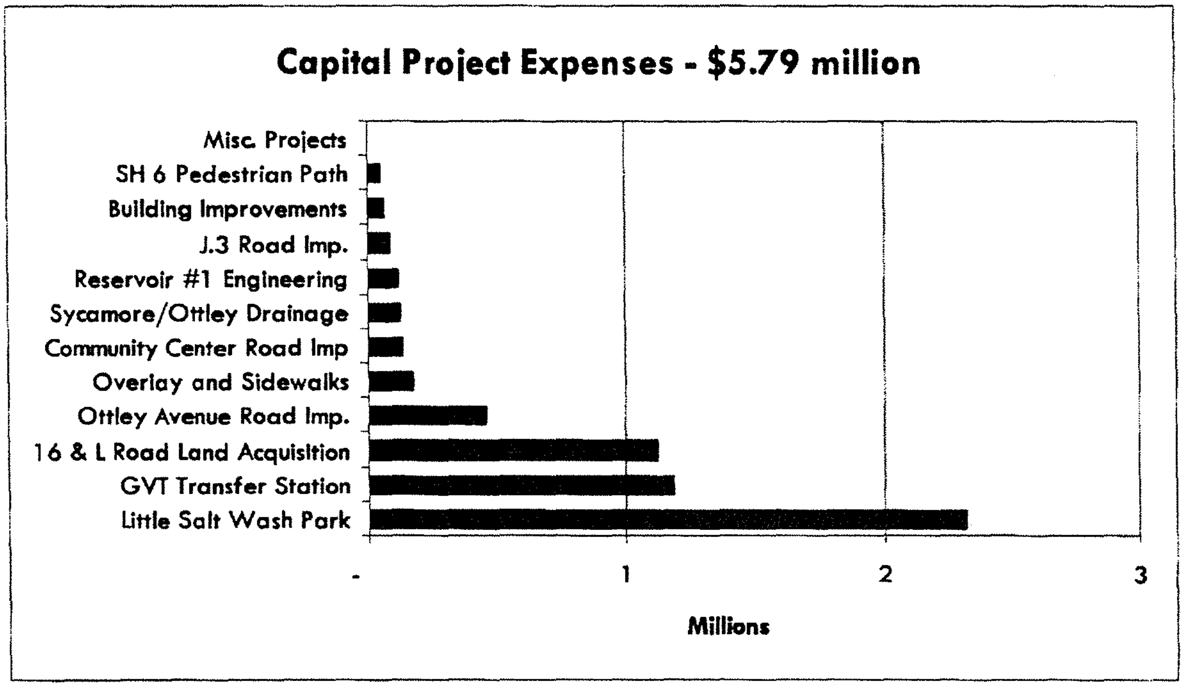
Capital Projects Fund. The Capital Projects Fund is used to account for major capital projects of the City of a governmental nature. The Capital Projects Fund had a fund balance of $593,761 at the end of 2008. Of this amount, 56% is unrestricted and the remaining 44% represents interest earnings on development impact fees and is reserved for street and open space projects.

Revenues of the Capital Projects Funds are tied to specific projects and fluctuate from year to year based on grant revenues and the nature of capital projects completed. Capital Project Fund revenues were $6.14 million in 2008. Grants and other intergovernmental revenues represent 45%



($2.7 million) of the total revenues. . Transfers from other funds were 24.9% ($1.52 million) of the total revenues. In 2008 another significant revenue source was the proceeds from the sale of property owned by the City at 14.3% of the total revenues.

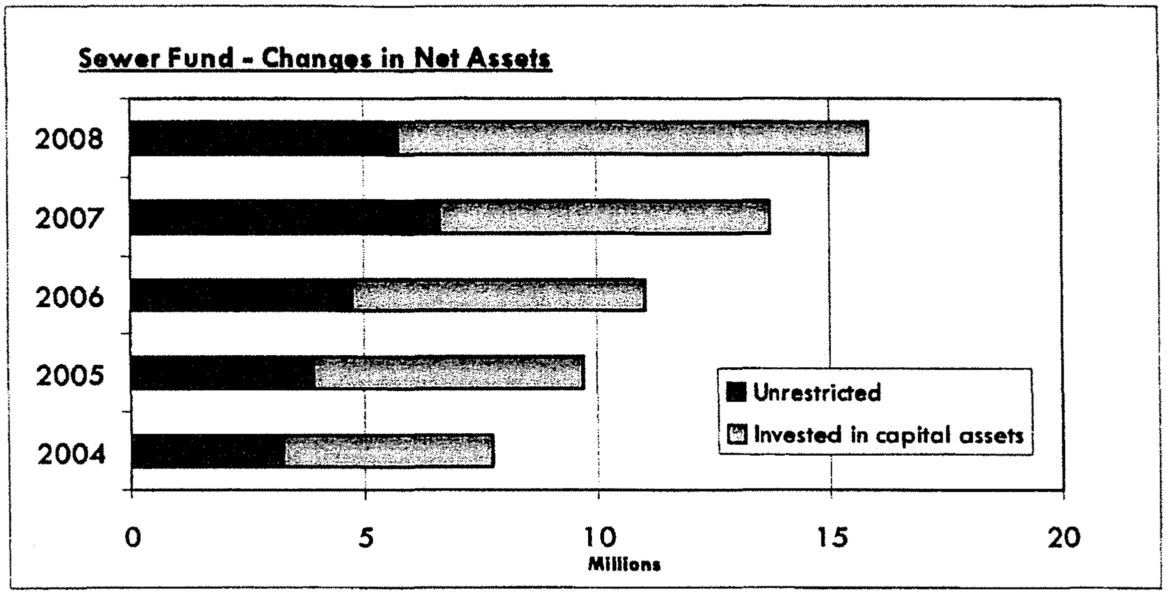
Expenses of the Capital Projects Fund were $5.79 million. The following graph illustrates some of the major projects undertaken in 2008.



The single largest project of $2.3 million was for the development of the 18 acre Little Salt Wash Park located off of Pine Street north of Ottley Avenue. This a multi year project. The second largest project of $1.17 million for the Grand Valley Transit transfer station is a cooperative project for the construction of a new transfer station located in Grand Junction. The project is funded with grant funds and the City of Fruita acts as the financial conduit for the payment of invoices and receipt of grant funds. The third largest project was the purchase of 40 acres located at 16 and L Road for the future development of parks and open space and schools. This project was funded through a cooperative effort by the City of Fruita, Mesa County and School District #51. An agreement between the City and School District specifies that the City owns 27 acres and the School District owns the remaining 13 acres of the 40 acre parcel.

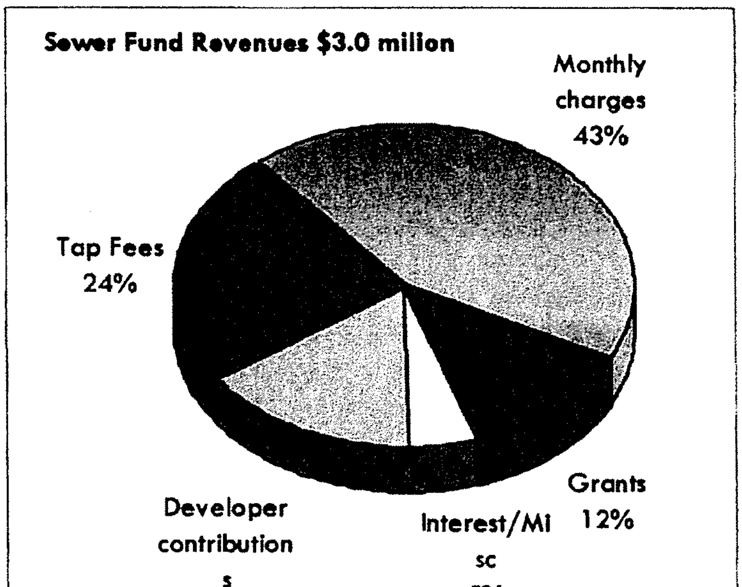
Proprietary funds. Proprietary funds of the City include the Devils Canyon Center Fund, Irrigation Water Fund, Sewer Fund and Trash Fund. Net assets for all proprietary funds at the end of the year was $17.58 million. This is an increase of $2.1 million from the prior year. Of this amount, $11.5 million is invested in capital assets and not available for spending and $6.0 million is unrestricted.

Sewer Fund. The Sewer Fund accounts for 87% of the total amount invested in capital assets and 95% of the unrestricted net assets of proprietary funds. The following shows the increases in Net

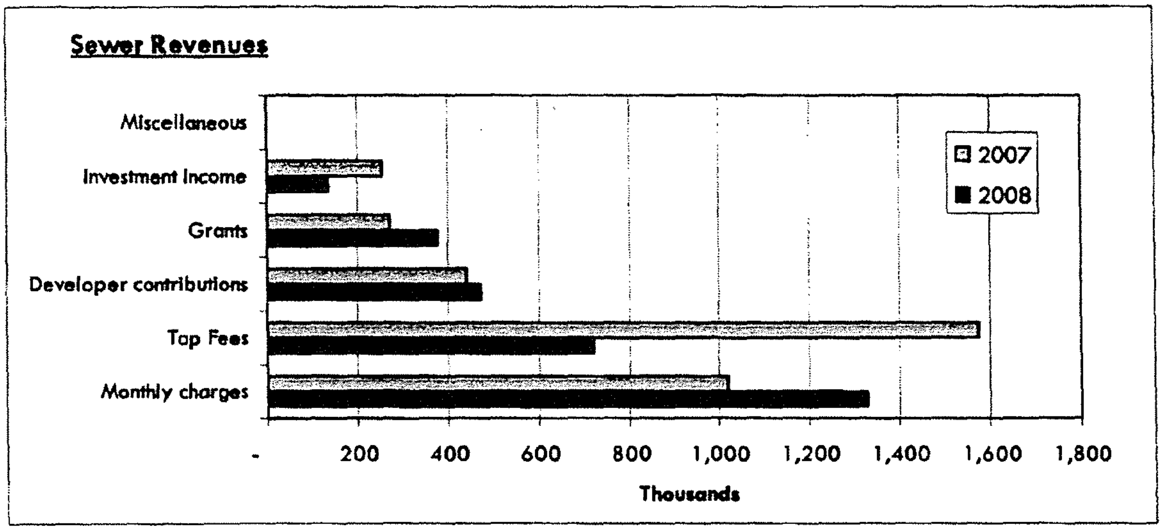


Assets of the Sewer Fund. Unrestricted net assets are purposely being accumulated in order to offset costs of the new wastewater treatment plant which is expected to cost approximately $30 million.

Revenues. Sewer revenues for 2008 were $3.0 million. The largest source of revenues in 2008 was from monthly charges for service which accounted for 43% of the total revenues of the Sewer Fund. Revenues from sewer tap fees was the second largest source of revenue at 24% of the total revenue. Tap fee revenues fluctuate on an annual basis depending on the amount of new residential and commercial construction. Other sources of revenue include developer constructed sewer system improvements (16%), an Energy Impact Grant for final engineering and design of a new wastewater treatment facility (12%) and miscellaneous revenues including interest on investments (5%).

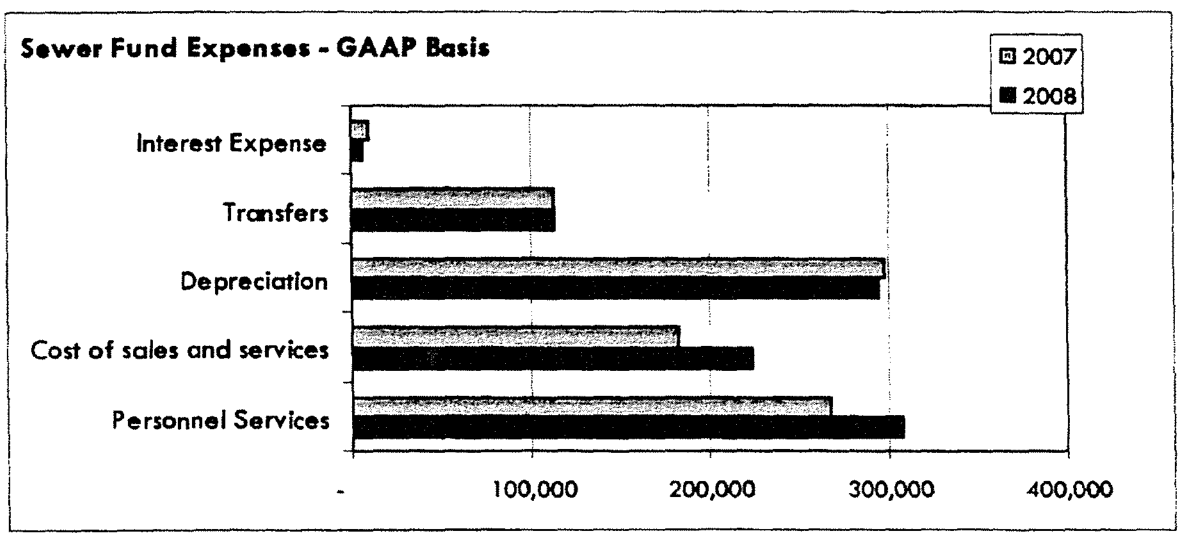


A comparison of revenues from 2007 to 2008 shows a decrease in revenue of 17% ($521,052). This decrease is to due to fewer sewer taps for new construction sold in 2008 versus 2007 which reflects the a slow down in new construction in 2008. The 117% ($849,495) decrease in sewer tap revenues offset by a 23% ($306,957) increase in revenue from monthly charges. The increase in monthly charges is due to a 25% rate increase and larger customer base.



The City conducted a rate study for sewer services to determine the monthly charge that would be needed to operate and pay debt on the new wastewater treatment facility. The study was updated in 2008 and indicates that the monthly charge for a single family residence will need to be approximately $50 per month. In an effort to implement this rate increase in an incremental manner, the sewer rates are scheduled to increase annually until 2011 when the treatment plant is scheduled to be in full operation. The monthly charge for sewer increased by 14% ($2) in 2007, 25% ($4) in 2008 and 25% ($5) in 2009. Plant investment fees (tap fees) for a single family residence have also increased from $4,000 in 2007 to $6,200 in 2008 and $6,400 in 2009.

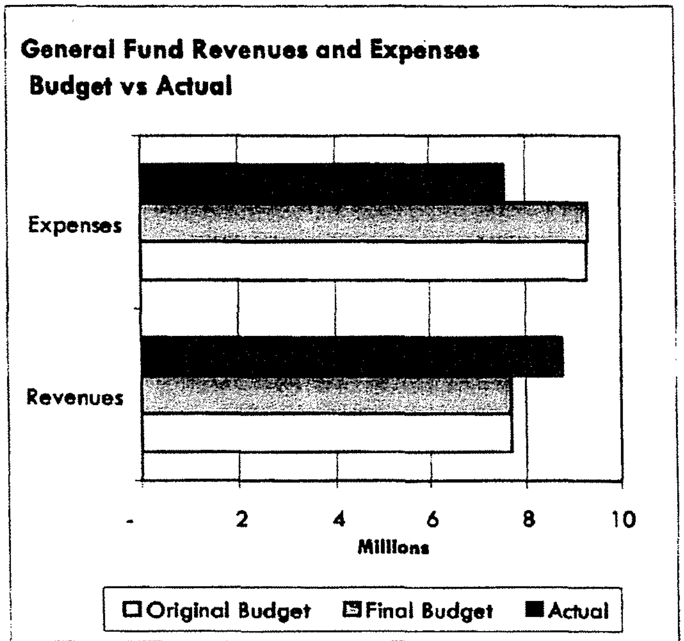
Expenses. Sewer Fund expenditures (GAAP Basis) of $948,044 reflect an increase of 9% from 2007 expenses of $871,915. This increase was primarily in the cost of sales and services (18%) and personnel services (13%).



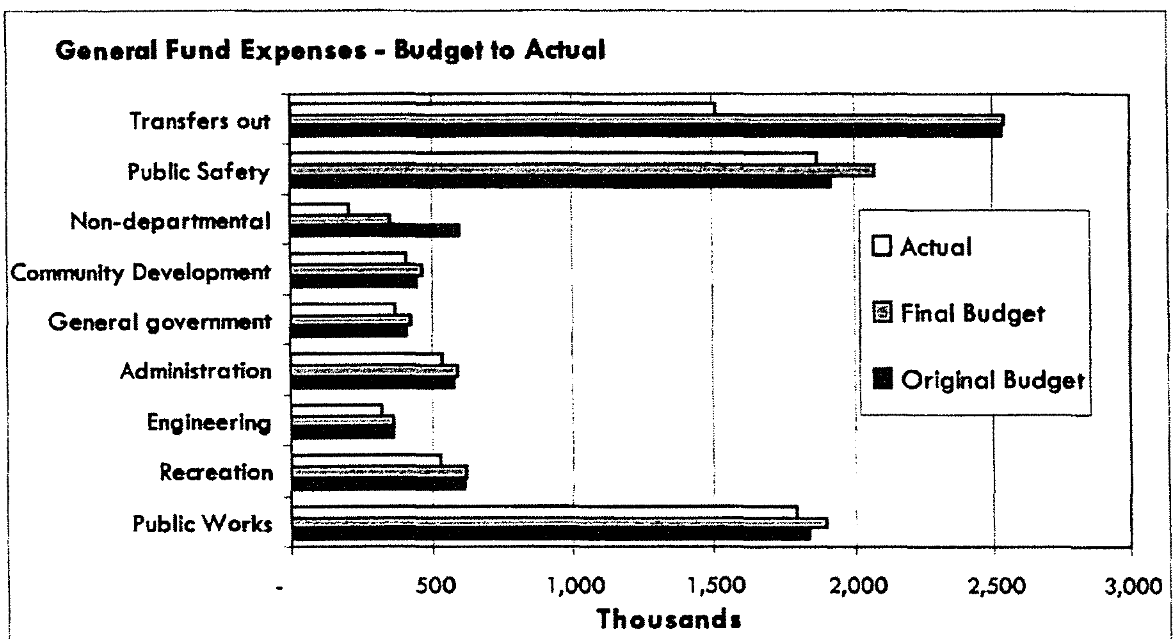
GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues exceeded budget by 14% ($1.09 million) and General Fund expenses were under budget by 19% ($1.78 million) resulting in a positive variance of $2.87 million between budgeted and actual revenues and expenses.

During the year the General Fund budget was amended from an original budget appropriation of $9.29 million to $9.31 million. These additional appropriations of $28,143 were approved by the City Council by resolution and after public hearing as required by the City Charter. Intra-departmental budget changes that modify line items within departments within the same fund are permitted with approval of the City Manager.



Actual expenses were $7.5 million, a positive variance of $1.78 million with the final approved budget of $9.31 million. Significant reasons for the variances between actual and budgeted expenses include the following:



Transfers to the Capital Project Fund were 41% ($1.03 million) less than budget. This is primarily due to timing of various capital projects. A number of capital projects originally included in the 2008 budget were re-appropriated in the 2009 budget.

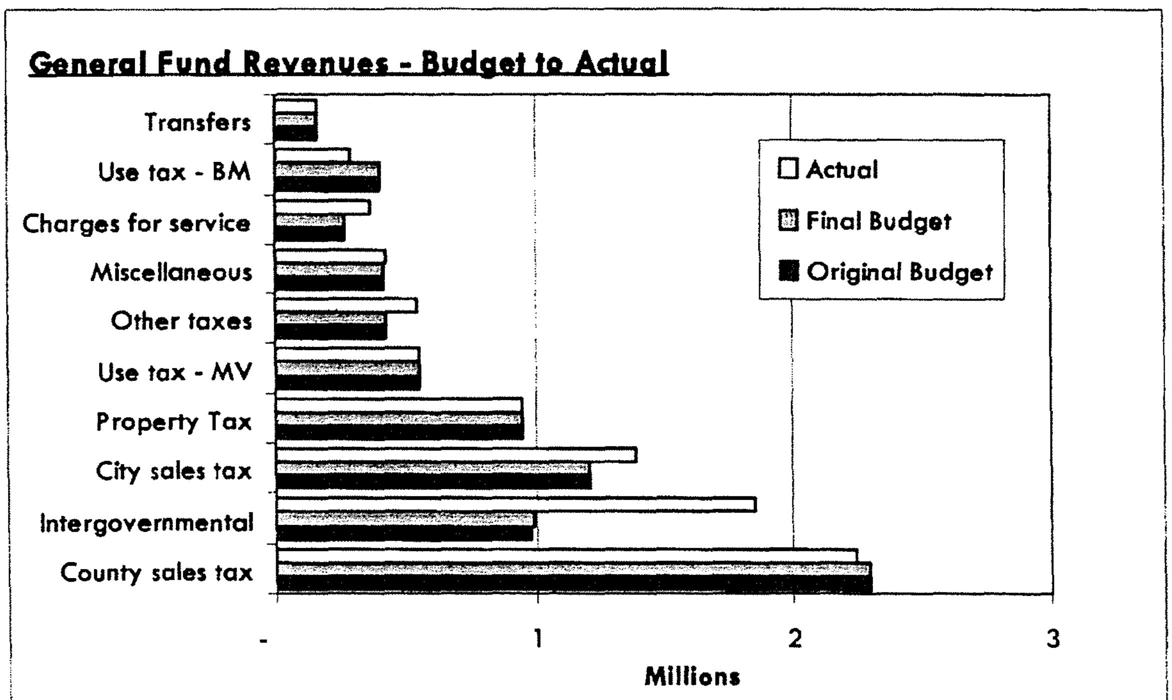
Public Safety expenses were 10% ($203,476) lower than budget.

Non-departmental expenses were 42% lower than budget primarily due to unspent contingency funds of $88,892 as well as the funds budgeted for vehicle replacements reserves of $53,000. The vehicle replacement reserve is a budgeted addition to the reserved fund balance but is not an actual expense of funds until the reserve is used for the purpose intended.

Recreation expenses were 15% ($93,232) under budget primarily due to a significant portion of the Parks, Open Space and Trails Master Plan initially budgeted for completion in 2008 being carried forward to the 2009 Budget for completion.

Public Works expenses were 5% ($99,240) under budget primarily in the personnel services area due to capitalization of personnel expenses for traffic control on road improvement projects and labor on the shop building improvements.

Actual revenues were $8.77 million, a positive variance of $1.09 million with the final approved budget of $7.68 million. Significant reasons for the variances between actual and budgeted revenues include the following:



Intergovernmental revenues for severance and mineral lease taxes were budgeted conservatively at $600,000. Actual revenues were $1,486,250, an increase of 248% over budget. These revenues can fluctuate dramatically from one year to the next and are informally designated for funding of one time capital projects to reduce the City's reliance on this revenue source for operating expenses.

City sales tax revenues of $1.38 million were 14% ($174,355) over budget. This was due to a continued growth in the local economy and development in both the commercial and residential sectors of Fruita through the first half of 2008. Fruita has experienced robust growth rates in the past several years due to the attractiveness of the area in climate, geography and proximity to services as well as a significant amount of energy related economic growth and development.

Other taxes which consist primarily of franchise taxes were $546,493, 28% ($120,993) higher than budgeted.

Use tax revenues on building materials were under budget by 28% ($110,141) as the pace of new construction slowed significantly in the last half of 2008 as the local economic conditions began to feel the effects of the construction and housing market slow down being experienced in the rest of the nation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City of Fruita's investment in capital assets for its governmental and business type activities as of December 31, 2008, was $41.7 million. Total additions to fixed assets in 2008 net of accumulated depreciation of $1.06 million was $10.47 million. This investment in capital assets includes land, buildings, and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Capital assets of governmental activities.

Major capital asset events during the current fiscal year for governmental activities included the addition of $7.64 million in assets net of accumulated depreciation.

	2008	2007	Change
Land	5,643,420	4,103,909	1,539,511
Buildings	2,396,667	2,414,275	(17,608)
Machinery and equipment	5,479,932	2,822,135	2,657,797
Hospital equipment	452,846	495,660	(42,814)
Infrastructure	14,799,879	12,587,511	2,212,368
Construction in progress	1,292,955	0	1,292,955
	$30,065,699	$22,423,49	$7,642,209

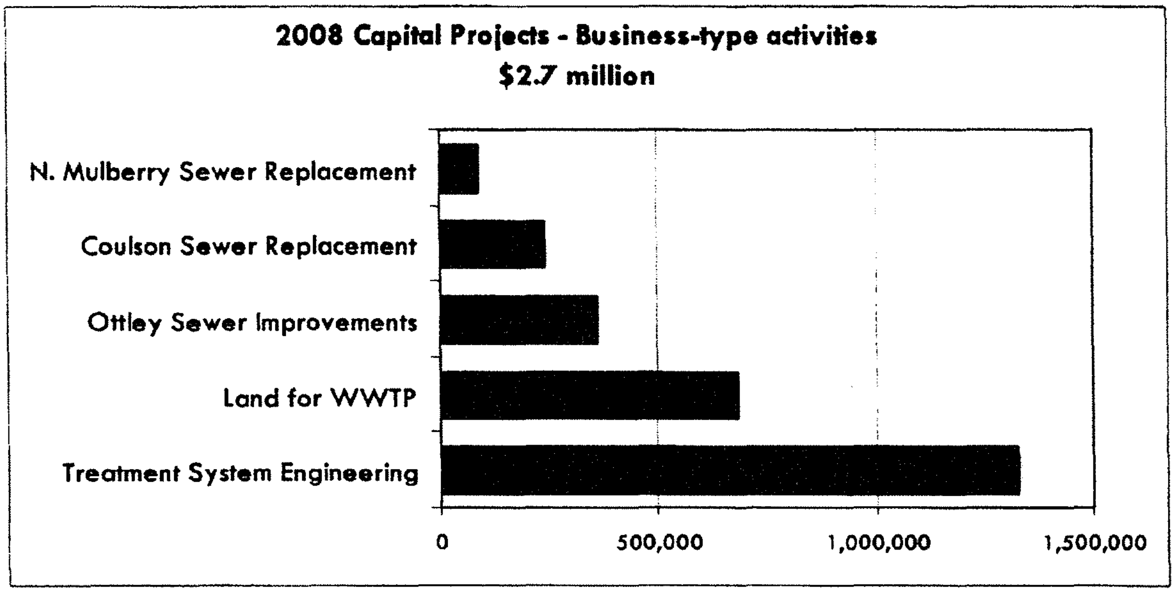
Major capital additions during 2008 include capital projects of $5.79 million as shown in the chart on page 19, $591,732 in capital equipment, and $1.96 million in development related construction of infrastructure assets as outlined on page 27. Depreciation expenses on capital expenses for governmental activities in 2008 was $710,973.

Capital assets of business-type activities:

Major capital asset events during the current fiscal year for business-type activities included the addition of $2.83 million in assets net of accumulated depreciation. This includes the addition of $474,887 in development related construction of system related assets as outlined on page 27.

	2008	2007	Change
Land	989,687	308,256	681,431
Source of Supply	14,712	14,712	0
Buildings	1,051,520	1,091,628	(40,108)
Machinery and equipment	420,686	500,863	(80,177)
Distribution and collection system	7,474,590	6,533,224	941,366
Construction in progress	1,690,508	365,296	1,325,212
	$11,641,703	$8,813,979	$2,827,724

Major capital additions during 2008 include capital projects of $2.7 million as shown below, $8,603 in capital equipment, and $474,887 in development related construction of infrastructure assets as outlined on page 27. Depreciation expenses on capital expenses for governmental activities in 2008 was $351,761.



Long term debt. The total debt outstanding for the City of Fruita at the end of 2008 was $142,990. Of this amount, $95,962 is long term debt and $47,028 is for capital leases on equipment.

The net reduction in the City of Fruita's debt obligations in 2008 was $701,726. This decrease was due to scheduled payments on notes and leases and early pay off of a note payable to the Colorado Water Conservation Board. No new debt was issued in 2008. Pursuant to the Fruita City Charter, there is no limit on the amount of general obligation debt that can be issued except that said issuance must be approved by the voters. Additional information on the City of Fruita's capital leases can be found on pages 66 and 67 in the notes to the financial statements and long-term debt obligation on pages 67 thru 69 in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Notes and loans payable	-	621,557	95,962	113,796	95,962	735,353
Capital leases	23,514	34,480	23,514	74,883	47,028	109,363
Total	23,514	656,037	119,476	188,679	142,990	844,716

DEVELOPER CONTRIBUTED CAPITAL ASSET ADDITIONS - 2008

	Governmental Activities								Business-type Activities	
SUBDIVISION	Curb, gutter and sidewalk	Park Imp	Park land	Storm Water	Street signs, lights	Street land	Streets	SUBTOTAL	Sewer System	Grand Total
Family Health West	0	0	0	35,000	0	0	115,000	150,000	0	150,000
Home Loan	13,524	0	0	33,645	15,700	0	90,956	153,825	0	153,825
River Glen	36,810	0	0	22,080	500	29,050	70,690	159,130	36,200	195,330
Santa Ana	69,675	0	0	30,371	0	153,382	237,989	491,417	57,292	548,709
Steele	3,480	0	0	0	0	0	12,848	16,328	8,939	25,267
Vintner's	194,458	0	0	60,108	29,000	234,506	474,902	992,974	372,456	1,365,430
Grand Total	**317,947**	**0**	**0**	**181,204**	**45,200**	**416,938**	**1,002,385**	**1,963,674**	**474,887**	**2,438,561**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Fruita has seen significant growth in recent years. The City offers a small town atmosphere which attracts a variety of demographic groups looking for easy access to recreational opportunities, a safe environment to raise a family, availability of medical services, geographical diversity, and a sense of community brought together through a variety of special events. Fruita is located just minutes away from Grand Junction, the largest city between Salt Lake City and Denver. While this proximity provides challenges in the sales tax base for Fruita it also provides more services and job opportunities than would typically be found in a City the size of Fruita.

The City of Fruita continues to be in a strong financial position. City-wide reserves are in excess of levels required in the City's Budget Policy. As of December 31, 2008 unrestricted assets of governmental funds were 60% of the 2008 total expenses and unrestricted assets of business-type activities were at 373% of 2008 expenses including interest and transfers. These reserves are the result of a fiscally conservative policy in which unpredictable or one time revenues are matched with expenses of a similar nature such as capital expenses or special projects and predictable and on-going revenues are allocated towards ongoing operational expenses. This policy has served the City well by providing funds to take advantage of opportunities that may arise and also buffering the City from some of the more severe effects of swings in economic conditions.

The effects of the national economic downturn began to manifest itself more strongly in Fruita during the first half of 2009. City sales tax revenues are down 8%, county sales tax revenues are down 18%, use tax revenues on building materials are down 77%, and use tax revenues on motor vehicles are down 46%. Fruita properties on the foreclosure list in June 2008 were 1.3% of the total number of homes in Fruita. The percentage of utility accounts 90 days past due has remained constant over the last year at approximately 2% of the total receivables.

The City of Fruita has two significant projects it will be undertaking in 2009 and 2010. The first project includes the construction of a community recreation center. The voters approved a 1% increase in the sales and use tax rate and the issuance of up to $15 million in bonds to fund the construction of the center. The City anticipates issuing bonds for this project in September of 2009 and will continue to monitor sales and use tax revenues to evaluate the effects of the decline in these revenues on the amount of debt that the City can incur for this project and still provide for both debt service payments and an operational subsidy for the facility. The second project includes the construction of a new wastewater treatment facility and collection line. This project is estimated to cost approximately $30 million and will be paid for through revenues of the Sewer Fund. The City began increasing sewer tap fees and monthly sewer charges several years ago in order to accumulate funds to help offset the cost of this project. In 2009 the monthly sewer rate increased from $20 to $25 for a single family residence. Annual increases in the sewer rates will continue to be required to make payments on the debt incurred for this project. The City has obtained approval for a loan through the Colorado Water and Power Development Authority at 2% apr and it is anticipated that this project will begin construction in September of 2009.

Requests for Information

This financial report is designed to provide a general overview of the City of Fruita's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 325 E. Aspen, Ste 155, City of Fruita, Colorado, 81521.

Basic Financial Statements

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City of Fruita, Colorado
STATEMENT OF NET ASSETS
December 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 7,756,134	$ 5,982,971	$ 13,739,105
Receivables	1,201,511	353,394	1,554,905
Inventories	11,623	-	11,623
Restricted assets:			
Due from other governments	1,414,251	100,333	1,514,584
Restricted cash	1,882,301	2,225	1,884,526
Capital assets (net of accumulated depreciation)			
Land	5,643,420	989,687	6,633,107
Source of supply	-	14,712	14,712
Construction in progress	1,292,955	1,690,508	2,983,463
Buildings, net	2,396,667	1,051,520	3,448,187
Systems, net	14,799,879	7,474,590	22,274,469
Machinery and equipment, net	5,932,777	420,686	6,353,463
Total Assets	42,331,518	18,080,626	60,412,144
LIABILITIES			
Accounts payable and other current liabilities	327,375	362,392	689,767
Accrued interest payable	303	1,739	2,042
Accrued compensation payable	90,981	8,596	99,577
Deferred revenue	2,870,738	-	2,870,738
Liabilities payable from restricted assets	-	2,225	2,225
Noncurrent liabilities:			
Due within one year			
Bonds and notes	-	21,903	21,903
Capital leases	11,485	11,485	22,970
Due in more than one year			
Bonds and notes	-	74,059	74,059
Capital leases	12,029	12,029	24,058
Total Liabilities	3,312,911	494,428	3,807,339
NET ASSETS			
Invested in capital assets, net of related debt	30,042,184	11,522,227	41,564,411
Restricted for:			
Culture and recreation	200,656	-	200,656
Marketing and promotion	157,530	-	157,530
Streets	322,717	-	322,717
Vehicle replacement	168,000	-	168,000
Other purposes	49,635	-	49,635
Emergency reserves	400,000	-	400,000
Unrestricted	7,677,885	6,063,972	13,741,857
Total Net Assets	$ 39,018,607	$ 17,586,199	$ 56,604,806

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

City of Fruita, Colorado

STATEMENT OF ACTIVITIES

For the year ended December 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
GOVERNMENTAL ACTIVITIES:							
General government	1,900,694	792,041	6,538	1,187,136	85,021	-	85,021
Marketing and promotion	102,212	-	-	-	(102,212)	-	(102,212)
Parks and recreation	915,094	200,259	10,738	1,720,038	1,015,941	-	1,015,941
Public works	1,582,689	46,879	79,924	2,324,772	868,886	-	868,886
Public safety	1,851,213	23,273	5,284	-	(1,822,656)	-	(1,822,656)
Interest on long-term debt	20,182	20,495	-	-	313	-	313
Total governmental activities	6,372,084	1,082,947	102,484	5,231,946	45,293	-	45,293
BUSINESS TYPE ACTIVITIES:							
Devils Canyon Center	42,493	57,600	-	-	-	15,107	15,107
Irrigation water	89,989	93,614	-	-	-	3,625	3,625
Sewer	834,644	1,331,500	-	1,577,784	-	2,074,640	2,074,640
Trash	497,505	539,658	-	-	-	42,153	42,153
Total business-type activities	1,464,631	2,022,372	-	1,577,784	-	2,135,525	2,135,525
Total government	$ 7,836,715	$ 3,105,319	$ 102,484	$ 6,809,730	$ 45,293	$ 2,135,525	$ 2,180,818
		GENERAL REVENUES:					
		Property taxes			1,066,736	-	1,066,736
		Sales and use taxes			4,475,370	-	4,475,370
		Severance tax			1,486,250	-	1,486,250
		Lodging tax			128,270	-	128,270
		Highway users tax			280,647	-	280,647
		Franchise fees			348,056	-	348,056
		Other shared taxes			216,401	-	216,401
		Unrestricted investment earnings			239,938	141,701	381,639
		Gain on sale of capital assets			888,344	1,193	889,537
		Transfers			162,400	(162,400)	-
		Total general revenues and transfers			9,292,412	(19,506)	9,272,906
		Change in net assets			9,337,705	2,116,019	11,453,724
		Net Assets - beginning			29,680,902	15,470,180	45,151,082
		Net Assets - ending			$ 39,018,607	$ 17,586,199	$ 56,604,806

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

City of Fruita, Colorado
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General	Capital Projects	Non-Major Funds: Debt Service	Non-Major Funds: Other Governmental	Total
ASSETS					
Cash and investments	$ 7,488,338	$ -	$ -	$ 233,219	$ 7,721,557
Accounts receivable	5,338	-	-	-	5,338
Notes receivable	-	-	-	-	-
Taxes receivable	1,024,750	-	-	7,422	1,032,172
Special assessments receivable	-	-	-	-	-
Due from other funds	34,582	-	-	-	34,582
Due from other governments	688,589	889,662	-	-	1,578,251
Inventories	11,623	-	-	-	11,623
Cash - restricted	673,257	1,209,044	-	-	1,882,301
Total Assets	9,926,477	2,098,706	-	240,641	12,265,824
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	84,921	87,320	-	12,963	185,204
Due to other funds	-	34,582			34,582
Deposits payable	135,650	-	-	-	135,650
Deferred revenue	1,487,695	1,383,043	-	-	2,870,738
Total Liabilities	1,708,266	1,504,945	-	12,963	3,226,174
Fund Balances:					
Reserved for:					
Marketing	-	-	-	157,530	157,530
Notes receivable	-	-	-	-	-
Community center	87,710	-	-	-	87,710
Parks and open space	-	42,798	-	70,148	112,946
War memorial maintenance	11,848	-	-	-	11,848
Streets	102,234	220,483	-	-	322,717
Vehicle Replacement	168,000	-	-	-	168,000
Inventories	11,623	-	-	-	11,623
Emergency reserve	400,000	-	-	-	400,000
Unreserved, designated for subsequent years expenditures	26,164	-	-	-	26,164
Unreserved, undesignated	7,410,632	330,480	-	-	7,741,112
Total fund balances	8,218,211	593,761	-	227,678	9,039,650
Total liabilities and fund balances	$ 9,926,477	$ 2,098,706	$ -	$ 240,641	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	30,065,698
Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	28,057
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(114,798)
Net assets of governmental activities	$ 39,018,607

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

City of Fruita, Colorado

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended December 31, 2008

			Non-Major Funds		
	General	Capital Projects	Debt Service	Other Governmental	Total
REVENUES					
Taxes:					
Property	$ 949,023	$ -	$ 117,712	$ -	$ 1,066,735
City sales	1,384,355	-	-	-	1,384,355
County sales	2,246,799	-	-	-	2,246,799
Use tax	844,216	-	-	-	844,216
Other	546,493	-	-	128,270	674,763
Licenses and permits	34,675	-	-	-	34,675
Intergovernmental revenues	1,852,812	2,782,435	-	106,225	4,741,472
Charges for services	363,616	-	-	-	363,616
Fines and forfeitures, assessments	63,476	-	-	-	63,476
Development impact fees	79,924	369,613	-	-	449,537
Investment earnings	189,287	48,170	20,495	2,480	260,432
Rents and royalties	31,085	-	-	-	31,085
Donations	11,469	530,245	-	-	541,714
Miscellaneous	7,740	-	-	-	7,740
Total revenues	8,604,970	3,730,463	138,207	236,975	12,710,615
EXPENDITURES					
Current:					
General government	351,338	-	-	-	351,338
Administration	497,440	-	-	-	497,440
Engineering	313,372	-	-	-	313,372
Community development	406,033	-	-	-	406,033
Marketing and promotion	-	-	-	102,212	102,212
Public safety	1,748,015	-	-	-	1,748,015
Public works	1,490,319	-	-	-	1,490,319
Recreation	526,218	-	-	14,000	540,218
Stormwater	-	-	-	-	-
Non-departmental	204,718	-	-	-	204,718
Debt service					
Principal retirement	-	-	632,523	-	632,523
Interest and fiscal charges	-	-	27,963	-	27,963
Capital outlay	483,524	5,793,710	-	108,208	6,385,442
Total expenditures	6,020,977	5,793,710	660,486	224,420	12,699,593
Excess (deficiency) of revenues over expenditures	2,583,993	(2,063,247)	(522,279)	12,555	11,022
OTHER FINANCING SOURCES (USES)					
Transfers in	162,400	1,528,585	44,286	-	1,735,271
Transfers (out)	(1,511,870)	-	-	(61,000)	(1,572,870)
Sale of capital assets	5,512	882,832	-	-	888,344
Total other financing sources (uses)	(1,343,958)	2,411,417	44,286	(61,000)	1,050,745
Net change in fund balances	1,240,035	348,170	(477,993)	(48,445)	1,061,767
Fund balances - beginning	6,978,176	245,591	477,993	276,123	7,977,883
Fund balances - ending	$ 8,218,211	$ 593,761	$ -	$ 227,678	$ 9,039,650

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

City of Fruita, Colorado

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, 2008

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

Net change in fund balances - total governmental funds	$ 1,061,767
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,674,469
The net effect of various miscellaneous transactions involving capital assets (construction and donation of infrastructure by developers) is to increase net assets.	1,973,673
The issuance of long-term debt (leases) 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. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	632,523
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.	(15,767)
The net revenue of certain activities of internal service funds is reported with governmental activities	11,040
Change in net assets of governmental activities	$ 9,337,705

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

City of Fruita, Colorado
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
12/31/2008 (With comparative totals for 2007)

	Business-type Activities - Enterprise Funds			
	Sewer		Trash	
	2008	2007	2008	2007
ASSETS:				
Current assets:				
Cash and investments	$ 5,738,155	$ 6,409,958	$ 13,627	$ 13,913
Interest receivable	64	47	-	-
Accounts receivable	201,547	155,193	78,901	74,985
Special assessments receivable	5,291	6,032	-	-
Notes receivable	9,593	11,419	-	-
Due from other governments	100,333	135,561	-	-
Total current assets	6,054,983	6,718,210	92,528	88,898
Non-current assets:				
Restricted cash:				
Customer deposits	2,225	5,400	-	-
Special assessments receivable	32,042	40,760	-	-
Capital assets				
Land	707,524	26,093	-	-
Source of supply	-	-	-	-
Construction in progress	1,690,507	-	-	-
Buildings, net	52,513	54,489	-	-
Systems, net	7,311,794	6,723,804	-	-
Equipment, net	419,305	498,881	1,383	1,982
Total capital assests, net	10,181,643	7,303,267	1,383	1,982
Total non-current assets	10,215,910	7,349,427	1,383	1,982
Total assets	16,270,893	14,067,637	93,911	90,880

Non-Major Funds					
Business-type Activities - Enterprise Funds					Governmental Activities
Devils Canyon Center		Irrigation Water		Totals	Fleet Maintenance
2008	2007	2008	2007	2008	Internal Service Fund
$ 202,978	$ 147,845	$ 28,211	$ 6,371	$ 5,982,971	$ 34,578
-	-	200	291	264	-
4,800	4,800	2,965	2,995	288,213	-
-	-	17,991	29,309	23,282	-
-	-	-	-	9,593	-
-	-	-	-	100,333	-
207,778	152,645	49,367	38,966	6,404,656	34,578
-	-	-	-	2,225	-
-	-	-	-	32,042	-
				-	
225,514	225,514	56,649	56,649	989,687	-
-	-	14,712	14,712	14,712	-
-	-	-	-	1,690,507	-
986,044	1,023,089	12,963	14,050	1,051,520	-
-	-	162,795	174,716	7,474,589	-
-	-	-	-	420,688	6,008
1,211,558	1,248,603	247,119	260,127	11,641,703	6,008
1,211,558	1,248,603	247,119	260,127	11,675,970	6,008
1,419,336	1,401,248	296,486	299,093	18,080,626	40,586

City of Fruita, Colorado
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
12/31/2008 (With comparative totals for 2007)

	Business-type Activities - Enterprise Funds			
	Sewer		Trash	
	2008	2007	2008	2007
LIABILITIES				
Current liabilities:				
Accounts Payable	321,513	142,974	40,879	38,076
Compensated absences	7,665	7,593	-	-
Accrued interest payable	1,739	3,599	-	-
Notes payable - current maturity	21,903	17,835	-	-
Capital leases payable - current maturity	11,485	51,369	-	-
Bond payable - current maturity (net of restricted cash)	-	-	-	-
Total current liabilities	364,305	223,370	40,879	38,076
Current liabilites payable from restricted assets:				
Customer deposits payable	2,225	5,400	-	-
Accrued interest payable from restricted cash	-	-	-	-
Bonds payable from restricted cash	-	-	-	-
Total current liabilities payable from restricted assets	2,225	5,400	-	-
Noncurrent liabilities:				
Notes payable	74,059	95,961	-	-
Capital leases payable	12,029	23,514	-	-
Bonds payable (net of unamortized discounts)	-	-	-	-
Total noncurrent liabilities	86,088	119,475	-	-
Total Liabilities	452,618	348,245	40,879	38,076
NET ASSETS				
Invested in capital assets, net of related debt	10,062,167	7,114,589	1,383	1,982
Unrestricted	5,756,108	6,604,803	51,649	50,822
Total net assets	15,818,275	13,719,392	53,032	52,804

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

Non-Major Funds					
Business-type Activities - Enterprise Funds					Governmental Activities
Devils Canyon Center		Irrigation Water		Totals	Fleet Maintenance
2008	2007	2008	2007	2008	Internal Service Fund
-	-	-	1,454	362,392	6,521
-	-	931	903	8,596	3,505
-	-	-	-	1,739	-
-	-	-	-	21,903	-
-	-	-	-	11,485	-
-	-	-	-	-	-
-	-	931	2,357	406,115	10,026
-	-	-	-	2,225	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,225	-
-	-	-	-	74,059	-
-	-	-	-	12,029	-
-	-	-	-	-	-
-	-	-	-	86,088	-
-	-	931	2,357	494,428	10,026
1,211,558	1,248,603	247,119	260,127	11,522,227	6,008
207,778	152,645	48,437	36,609	6,063,972	24,552
$ 1,419,336	$ 1,401,248	$ 295,556	$ 296,736	$ 17,586,199	$ 30,560

City of Fruita. Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the year ended December 31, 2008 (With comparative totals for 2007)

	Business-type Activities - Enterprise Funds			
	Sewer		Trash	
	2008	2007	2008	2007
OPERATING REVENUES:				
Charges for services	$ 1,326,883	$ 1,016,483	$ 539,658	$ 488,513
Other revenues	4,617	3,443	-	-
Total operating revenues	1,331,500	1,019,926	539,658	488,513
OPERATING EXPENSES:				
Personnel services	308,547	268,083	-	-
Cost of sales and services	224,136	183,129	496,905	446,632
Depreciation and amortization	295,363	297,894	600	600
Total operating expenses	828,046	749,106	497,505	447,232
Operating income (loss)	503,454	270,820	42,153	41,281
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	380,176	274,480	-	-
Investment income	136,945	257,682	75	684
System development charges and contributions	474,888	443,676	-	-
Sales of equipment	698	-	-	-
Interest expense	(6,598)	(9,409)	-	-
Total nonoperating revenues (expenses)	986,109	966,429	75	684
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,489,563	1,237,249	42,228	41,965
Capital contributions - tap fees	722,720	1,572,215	-	-
Transfers in	-	-	-	-
Transfers out	(113,400)	(113,400)	(42,000)	(39,800)
Changes in net assets	2,098,883	2,696,064	228	2,165
Total net assets - beginning	13,719,392	11,023,328	52,804	50,639
Total net assets - ending	$ 15,818,275	$ 13,719,392	$ 53,032	$ 52,804

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

Non-Major Funds					
Business-type Activities - Enterprise Funds					Governmental Activities
Devils Canyon Center		Irrigation Water		Totals	Fleet Maintenance
2008	2007	2008	2007	2008	Internal Service Fund
$ 57,600	$ 57,600	$ 93,614	$ 76,008	$ 2,017,755	$ 222,725
-	-	-	-	4,617	7,167
57,600	57,600	93,614	76,008	2,022,372	229,892
-	-	45,464	54,158	354,011	137,107
5,448	908	26,560	21,849	753,049	80,957
37,045	36,459	17,965	13,678	350,973	788
42,493	37,367	89,989	89,685	1,458,033	218,852
15,107	20,233	3,625	(13,677)	564,339	11,040
-	-	-	-	380,176	-
2,981	9,755	1,700	2,992	141,701	-
-	-	-	67,600	474,888	-
-	-	495	-	1,193	-
-	-	-	-	(6,598)	-
2,981	9,755	2,195	70,592	991,360	-
18,088	29,988	5,820	56,915	1,555,699	11,040
-	-	-	1,500	722,720	-
-	-	-	13,000	-	-
-	(145,000)	(7,000)	(5,000)	(162,400)	-
18,088	(115,012)	(1,180)	66,415	2,116,019	11,040
				-	
1,401,248	1,516,260	296,736	230,321	15,470,180	19,520
$ 1,419,336	$ 1,401,248	$ 295,556	$ 296,736	$ 17,586,199	$ 30,560

City of Fruita, Colorado
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31,2008 (With comparative totals for 2007)

	Business-type Activities - Enterprise Funds			
	Sewer		Trash	
	2008	2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 1,281,970	$ 987,009	$ 535,742	$ 488,522
Payments to suppliers	(228,660)	(176,385)	(494,103)	(444,613)
Payments to employees	(308,474)	(265,789)	-	-
Net cash provided by operating activities	744,836	544,835	41,639	43,909
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers	(113,400)	(113,400)	(42,000)	(39,800)
Net cash used by non-capital financing activities	(113,400)	(113,400)	(42,000)	(39,800)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions - grants	415,404	200,378	-	-
Capital contributions - plant investment fees	724,546	1,583,106	-	-
Gain on sale of equipment	698	-		
Proceeds from special assessments	9,459	5,457	-	-
Transfers from another fund	-	-	-	-
Principal paid on capital debt	(69,204)	(68,662)	-	-
Interest paid on capital debt	(8,458)	(11,207)	-	-
Purchase of capital assets	(2,515,787)	(739,978)	-	-
Net cash provided (used) by capital and related financing activities	(1,443,342)	969,094	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	136,928	257,654	75	684
Net cash provided by investing activities	136,928	257,654	75	684
Net increase (decrease) in cash and cash equivalents	(674,978)	1,658,183	(286)	4,793
Cash and cash equivalents, January 1 (including $39,281 in the Irrigation Water Fund and $35,580 in the Sewer Fund reported in restricted accounts)	6,415,358	4,757,175	13,913	9,120
Cash and cash equivalents, December 31 (including $2,225 in the Sewer Fund reported in restricted accounts)	$ 5,740,380	$ 6,415,358	$ 13,627	$ 13,913

Non-Major Funds					
Business-type Activities - Enterprise Funds					Governmental Activities
Devils Canyon Center		Irrigation Water		Totals	Fleet Maintenance
2008	2007	2008	2007	2008	Internal Service Fund
$ 57,600	$ 57,600	$ 93,644	$ 75,803	$ 1,968,956	$ 229,892
(5,448)	(908)	(28,015)	(20,405)	(756,226)	(76,932)
-	-	(45,436)	(53,875)	(353,910)	(136,331)
52,152	56,692	20,193	1,523	858,820	16,629
-	(145,000)	(7,000)	(5,000)	(162,400)	-
-	(145,000)	(7,000)	(5,000)	(162,400)	-
-	-	-	-	415,404	-
-	-	-	1,500	724,546	-
-	-	495	-	1,193	
-	-	11,318	38,291	20,777	-
-	-	-	13,000	-	-
-	-	-	-	(69,204)	-
-	-	-	-	(8,458)	-
-	-	(4,956)	(93,149)	(2,520,743)	(3,647)
-	-	6,857	(40,358)	(1,436,485)	(3,647)
2,981	9,755	1,790	2,701	141,774	-
2,981	9,755	1,790	2,701	141,774	-
55,133	(78,553)	21,840	(41,134)	(598,291)	12,982
147,845	226,398	6,371	47,505	6,583,487	21,596
$ 202,978	$ 147,845	$ 28,211	$ 6,371	$ 5,985,196	$ 34,578

City of Fruita, Colorado
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31,2008 (With comparative totals for 2007)

	Business-type Activities - Enterprise Funds			
	Sewer		Trash	
	2008	2007	2008	2007
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	503,454	270,820	42,153	41,281
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	295,363	297,894	600	600
(Increase) decrease in accounts receivable	(46,355)	(15,450)	(3,916)	10
Increase (decrease) in accounts payable	(4,524)	6,744	2,802	2,018
Increase (decrease) in compensated absences payable	73	2,294	-	-
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in customer deposits	(3,175)	(17,467)	-	-
Total adjustments	241,382	274,015	(514)	2,628
Net cash provided by operating activities	$ 744,836	$ 544,835	$ 41,639	$ 43,909
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Contributions of capital assets from developers	474,888	443,676	-	-

The notes to the financial statements are an integral part of this statement

Non-Major Funds					
Business-type Activities - Enterprise Funds					Governmental Activities
Devils Canyon Center		Irrigation Water		Totals	Fleet Maintenance
2008	2007	2008	2007	2008	Internal Service Fund
15,107	20,233	3,625	(13,677)	564,339	11,040
37,045	36,459	17,965	13,678	350,973	788
-	-	30	(205)	(50,241)	-
-	-	(1,455)	1,444	(3,177)	4,025
-	-	28	283	101	776
-	-	-	-	-	-
-	-	-	-	(3,175)	-
37,045	36,459	16,568	15,200	294,481	5,589
$ 52,152	$ 56,692	$ 20,193	$ 1,523	$ 858,820	$ 16,629
-	-	-	-	474,888	-

City of Fruita, Colorado
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2008

	Agency Fund	Retirement Trust Fund
ASSETS		
Cash and cash equivalents	$ 171	$ -
Investments at fair value	-	394,742
Total assets	171	394,742
LIABILITIES		
Accounts payable	171	-
Total liabilities	171	-
NET ASSETS		
Held in trust for:		
Pension benefits	-	394,742
Total net assets	$ -	$ 394,742

The notes to the financial statements are an integral part of this statement

City of Fruita, Colorado

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the year ended December 31, 2008

	Retirement Trust Fund
ADDITIONS:	
Employer contributions	$ 88,294
Total contributions	88,294
Investment Earnings	
Net investment gain	(128,386)
Total Additions	(40,092)
DEDUCTIONS:	
Benefits	34,473
Administrative expenses	1,000
Total Deductions	35,473
Change in net assets	(75,565)
Total net assets - beginning	470,307
Total net assets - ending	$ 394,742

The notes to the financial statements are an integral part of this statement

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Notes to the Financial Statements

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Fruita, Colorado was established in 1884 and operates under a City Council - Manager Home Rule form of Government with six elected council members, an elected mayor and an appointed manager. The City's financial statements include the accounts and operations of all City functions. The City's major operations include public safety, street construction and maintenance, community development, parks, recreation programs, irrigation, trash collection, sewer service, and general administration. The City of Fruita, Colorado is the primary government. The City has no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

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. Transfers for financial services rendered to proprietary funds by the General Fund are included in the direct expenses of proprietary funds. Also included is depreciation on capital assets associated with specific programs. Depreciation on assets which can not be attributed to a specific program is included in direct expenses of the General Government function. *Program revenues* include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment including transfers for financial services 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.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, sales tax, use tax, franchise fees, grant revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the City'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 *capital projects fund* is used to account for the financing and construction of significant capital projects.

The City reports the following major proprietary funds:

The *sewer fund* accounts for all activities associated with providing sewer collection and treatment to customers within the sewer service area.

The *trash fund* accounts for all activities associated with providing trash collection services to residential customers within the City limits.

Additionally, the City reports the following fund types:

The *internal service fund* accounts for fleet maintenance services provided to other departments or agencies of the City on a cost reimbursement basis.

The *agency fund* is used to account for custodial functions for collecting and forwarding fees paid on new developments in lieu of dedication of land to the local school district.

The *retirement trust fund* is used to account for activities of the City of Fruita Employees Retirement Plan which accumulates resources for retirement benefit payments to qualified City employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rules are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges/transfers would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include cost of sales and services, personal services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Transfers out are classified separately in the statements from operating and non-operating expenses. However, transfers could be classified as operating expenses of the business-type activities as the transfer is to compensate the General Fund for administrative functions for the proprietary funds. These administrative functions include utility billing, payroll, accounts payable and other financial and other management expenses.

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

D. Assets, liabilities, and net assets or equity

1. *Cash and investments.*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, and short-term investments with original maturities of three months or less from the date of acquisition.

Colorado State Statutes authorize the City to invest in obligations of the United States or obligations unconditionally guaranteed by the United States, bonds of the State of Colorado and its political subdivisions, certain obligations secured by mortgages, bankers acceptances, commercial paper, state investment pools, repurchase agreements, money market funds and guaranteed investment contracts.

Assets of the Retirement Trust Fund are investment by the International City Manager's Association Retirement Corporation.

Investments are presented at fair value determined from quoted market prices. The state investment pools exist under the laws of the State of Colorado and are registered with the Securities Commissioner of the State of Colorado. The investment pools are similar to money market funds, with each share valued at $1.

2. *Interfund receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are classified as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances"

3. *Property taxes*

Property taxes as set by the City Council are collected by the County Treasurer. The County Treasurer remits property taxes collected to the City by the 10th day of the month following collection. Property taxes receivable represent 2008 taxes collectible in 2009 and are also shown as deferred revenue. Property taxes may be paid in installments with one-half of the total amount due payable on February 28 and the second half payable on June 15, or they may be paid in full by April 30.

4. *Special assessments receivable*

Special assessments receivable are recorded for the property owners' share of the cost of street or utility improvements within special improvement districts. Corresponding deferred revenue is recorded until the assessments meet the revenue recognition availability criteria. Special assessments receivable for projects which were initially financed with existing governmental resources are recorded together with corresponding deferred revenue in the fund which provided the resources.

5. *Inventories and prepaid items.*

The inventory in the General Fund consists of fuel to be consumed by the City's departments and is valued at cost which approximates market, using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

6. *Restricted assets*

Certain resources are set aside for specific purposes and classified as restricted because of donor restrictions on use of the resources or legal restrictions on their use.

7. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, curbs, gutters, sidewalks, bridges, alleys, traffic lights and storm drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as equipment purchases with an initial, individual cost of more than $1,000 and an estimated useful life in excess of three years, and construction projects which have a cost of more than $10,000 and a useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Gains or losses on dispositions of property and equipment are included in income.

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

Assets	Years
Distribution and collection system	5 - 50 years
Buildings and improvements	10 - 50 years
Equipment	3 to 25 years
Infrastructure	20 to 40 years

8. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. An employee may accumulate and carry forward one years accumulation of vacation leave. Sick leave may be accumulated up to 2080 hours. The City pays a terminating employee for all accumulated vacation time. The City does not pay any amounts for accumulated sick leave when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds balance sheet only if they have matured, for example, as a result of employee resignations and retirements.

9. *Long-term liabilities*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straightline method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental 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 fund balance represent tentative management plans for future use of financial resources that are subject to change.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $114,798 difference are as follows:

Capital leases payable	$ 23,514
Accrued interest payable	303
Compensated absences	90,981
Net adjustment to reduce fund balance - total governmental funds to arrive at *net assets - governmental activities.*	$ 114,798

Another element of that reconciliation explains that "internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets." The details of this $28,057 difference are as follows:

Net assets of the internal service funds	$ 30,560
Less: Capital assets of the internal service fund	(6,008)
Plus: Compensated absences payable	3,505
Net adjustment to reduce fund balance - total governmental funds to arrive at *net assets - governmental activities.*	$ 28,057

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $5,674,469 difference are as follows:

Capital outlay reported in capital projects	$ 5,793,710
Capital equipment included in expenses of General Fund functional activities	483,524
Capital equipment and improvements in expenses of the Conservation Trust Fund activities	108,208
Depreciation expense, net of internal service fund	(710,973)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 5,674,469

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets." The details of this $1,973,673 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	$ 1,973,673

Another element of that reconciliation states that "issuance of long-term debt (leases) 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. Neither transaction, however, has any effect on net assets." The details of this $632,523 difference are as follows:

Principal repayments	
Lease payments	10,966
Note payments	621,557
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 632,523

Another element of that reconciliation states that "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." The details of this ($15,767) difference are as follows:

Compensated absences, net of internal service fund	$ (14,757)
Loss on disposal of assets	(8,792)
Accrued interest	7,782
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (15,767)

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, proprietary funds and internal service funds. Fiduciary funds for the employees retirement plan and the agency trust fund for school land dedication fees are not budgeted. All annual appropriations lapse at fiscal year end.

On or before the last day of August of each year, all departments of the City submit requests for appropriations to the City Manager so that a budget may be prepared. On or before the 1st day of October, the proposed budget is presented to the City Council for review. The Council holds public hearings and a final budget must be prepared and adopted not later than December 15 in order to meet the statutory deadline for certification of the mill levy to the County.

On or before December 31, the City Council enacts a resolution appropriating the budgets for the ensuing fiscal year. The City Council may amend the appropriation resolution upon notice of a public hearing at any time during the year and increase appropriations upon certification by the City Manager that excess revenues are available. The Council may also make emergency appropriations by emergency ordinance, and in the event there are insufficient revenues for the emergency appropriation, the Council may authorize, by emergency ordinance, the issuance of short-term notes.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level. Even though the budget enacted by the City Council is at the fund level, the City prepares a line item budget by department and program for control at the line item level. The City Manager has the authority to reallocate the distribution of budgeted amounts at the department level.

Transfers of appropriations between departments require approval of the City Council through adoption of a resolution amending the budget.

The City Council made several supplemental budgetary appropriations throughout the year as follows:

Fund	Original Amount	Amended Amount
Governmental Activities		
General Fund	$ 9,291,290	$ 9,319,432
Capital Projects Fund	8,881,070	11,423,838
Conservation Trust Fund	96,500	197,500
Business-Type Activities		
Proprietary Funds:		
Irrigation	87,875	92,875
Sewer	3,275,475	4,301,750
Trash	511,000	542,000

B. Excess of expenditures over appropriations

For the year ended December 31, 2008, there were no expenditures which exceeded appropriations.

C. Deficit fund equity

For the year ended December 31, 2008, there were no funds that had a deficit fund equity.

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Cash and investments

The composition of all cash and investments held by the City at December 31, 2008 and 2007 is as follows:

	2008	2007
Cash on hand	$ 950	$ 1,360
Cash in checking account(s)	517,529	(50,711)
Certificates of deposit	2,731,820	2,571,042
Investment pools	6,371,824	3,625,823
Money Market Funds	406,390	180,199
Federal Agency securities:		
Federal National Mortgage Association	-	627,622
Federal Home Loan Bank	-	298,170
Denver City/County Airport Bonds	492,778	-
Repurchase agreement	5,102,340	8,119,336
	15,623,631	15,372,841

The captions on the statement of net assets of the City related to cash and investments are as follows:

	2008	2007
Cash and investments	13,739,105	13,329,226
Restricted cash	1,884,526	2,043,615
	15,623,631	15,372,841

Credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Custodial credit risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The City's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to the custodial credit risk. As of December 31, 2008, $3,002,163 of the City's deposits were covered by FDIC insurance and $5,178,190 were collateralized under the Public Deposit Protection Act. The City's investments are not deemed to be exposed to custodial credit risk because they are held by the City or the City's custody agent in the City's name.

Concentration of credit risk.
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. More than five percent of the City's investments are in public entity investment pools. These investments are 41% of the City's total investments at December 31, 2008.

Interest rate risk.
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes do not allow investment maturities to exceed five years unless longer maturities are specifically authorized by the governing body.

Deposits.
In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are governed by Colorado Statute. 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 maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. All deposits of the City are insured or collateralized with securities held by or for the entity. The Colorado Divisions of Banking 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.

Investments
Colorado statutes specify investments meeting defined rating and risk criteria in which local government may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Local government investment pools
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Guaranteed investment contracts
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Banker's acceptances of certain banks
- Certain money market funds

As of December 31, 2008, the City had $6,371,824 in governmental and business type funds in several local government investment pools established for local governments in Colorado to pool surplus funds (CSAFE and Colotrust). These pools operate similarly to a money market fund and each share is equal in value to $1.00. Investments of these pools consist of U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and agency securities. Each pool is rated AAAm by Standard and Poor's. To obtain financial statements for CSAFE you may visit their website at www.csafe.org. Colotrust's financial statements are available on their website at www.colotrust.com.

In September 2008, the securities and holdings of the Colorado Diversified Trust (CDT) investment pool were adjusted to market value due to the Lehman Brothers bankruptcy and the fund's resulting inability to maintain a net asset value of $0.995. The per share value in the Colorado Diversified Trust investment pool decreased to $0.9819 and the investment pool was dissolved due to its' inability to maintain the $1.00 per share value. All assets of CDT were transferred to the Colorado Local Government Liquid Asset Trust (COLO Trust) investment pool. Any recovery of the Lehman assets will be allocated to participants of the pool based on their September 14, 2008 balances. The City of Fruita had $212,663 invested in the pool and incurred a loss, pending any future recovery, of $3,850.

Investments in general obligation and revenue bonds of U.S. local government entities at December 31, 2008 were as follows:

Face Amount	Security	Maturity
490,000	Denver City/County Airport Revenue Refunding Bonds, A1 Moody's Rating, AA S & P Rating	November 15, 2009

B. Deferred revenues

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes assessed for 2008 but not receivable until 2009 (general fund)	$ 1,024,750	$ -
Impact fees for chipseal which have been received but not yet earned (general fund)	-	445,301
Impact fees for open space, road and drainage improvements which have been received but not yet earned (capital projects fund)	-	945,763
Grant revenue for infrastructure (capital projects funds)		437,280
Unallocated utility billing receipts (general fund)	-	17,644
Total deferred/unearned revenue for governmental funds	$ 1,024,750	$ 1,845,988

C. Capital assets

Capital asset activity for the year ended December 31, 2008 was as follows.

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 4,103,909	$ 1,539,511	$ -	$ 5,643,420
Construction in progress	-	1,292,955	-	1,292,955
Total capital assets not being depreciated	4,103,909	2,832,466	-	6,936,375
Capital assets, being depreciated				
Buildings and other structures	3,440,472	74,131	-	3,514,603
Machinery and equipment	3,820,607	2,907,931	(72,998)	6,655,540
Hospital equipment	500,000	-	-	500,000
Infrastructure	13,095,971	2,547,171	-	15,643,142
Total capital assets being depreciated	20,857,050	5,529,233	(72,998)	26,313,285
Less accumulated depreciation for:				
Buildings and other structures	(1,026,197)	(91,739)	-	(1,117,936)
Machinery and equipment	(998,472)	(242,405)	65,268	(1,175,609)
Hospital equipment	(4,340)	(42,814)	-	(47,154)
Infrastructure	(508,460)	(334,803)	-	(843,263)
Total accumulated depreciation	(2,537,469)	(711,761)	65,268	(3,183,962)
Total capital assets being depreciated, net	18,319,581	4,817,472	(7,730)	23,129,323
Governmental activities capital assets, net	$22,423,490	$ 7,649,938	$ (7,730)	$ 30,065,698

	Beginning Balance	Increase	Decrease	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 308,256	$ 681,431	$ -	$ 989,687
Source of supply	14,712	-	-	14,712
Construction in progress	365,296	1,325,212	-	1,690,508
Total capital assets not being depreciated	688,264	2,006,643	-	2,694,907
Capital assets, being depreciated				
Buildings	1,643,978	-	-	1,643,978
Distribution and collection system	10,441,675	1,172,054	-	11,613,729
Machinery and equipment	1,065,059		(13,585)	1,051,474
Total capital assets being depreciated	13,150,712	1,172,054	(13,585)	14,309,181
Less accumulated depreciation for:				
Buildings	(552,350)	(40,108)	-	(592,458)
Distribution and collection system	(3,908,451)	(230,688)	-	(4,139,139)
Machinery and equipment	(564,196)	(80,177)	13,585	(630,788)
Total accumulated depreciation	(5,024,997)	(350,973)	13,585	(5,362,385)
Total capital assets being depreciated, net	8,125,715	821,081	-	8,946,796
Business-type activities capital assets, net	$8,813,979	$ 2,827,724	$ -	$ 11,641,703

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities		
General government	$	124,737
Park and recreation		70,798
Public works		421,044
Public safety		94,393
Capital assets held by the government's internal service fund are charged to various functions based on their usage of assets		789
Total depreciation expense - governmental activities	$	711,761

Business-type activities		
Devils Canyon Center	$	37,045
Irrigation Water		17,965
Sewer		295,363
Trash		600
Total depreciation expense - business-type activities	$	350,973

D. Interfund transfers

	Transfers In:			
Transfers out:	General Fund	Debt Service Fund	Capital Projects Fund	Total
General Fund	$ -	$ 44,285	$ 1,467,585	$1,511,870
Nonmajor governmental funds	-	-	61,000	61,000
Irrigation Water	7,000	-	-	7,000
Sewer	113,400	-	-	113,400
Trash	42,000	-	-	42,000
Total transfers out	$162,400	$ 44,285	$ 1,528,585	$1,735,270

E. Capital leases

During 2003, the City entered into a lease agreement for a vactor truck financed through the Municipal Services Group, Inc. for the amount of $230,343 at 3.59%. The final lease payment was made in February 2008.

During 2006, the City entered into a lease agreement for a dump truck financed through Bank of the West for the amount of $115,100 at 4.73% with a current balance of $68,962. The City is obligated under this agreement to make annual payments of $25,197 every June 1 through 2010.

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities	Sewer Fund
Machinery and equipment	$ 57,675	$ 57,675
Less: Accumulated depreciation	(8,659)	(8,659)
Total	49,016	49,016

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2008, were as follows:

Year Ending December 31	Governmental Activities	Sewer Fund
2009	12,598	12,598
2010	12,598	12,598
Total minimum lease payments	25,196	25,196
Less: amount representing interest	(1,682)	(1,682)
Present value of minimum lease payments	$ 23,514	$ 23,514

Interest expense on capital leases for the year ended December 31, 2008 was $1,450 in the Sewer Fund and $1,632 in the Debt Service Fund.

F. Long-term debt

1. Notes and loans payable

The Debt Service has historically been used to account for long term debt and lease payments for governmental funds. The City was obligated under two notes payable to the Colorado Water Conservancy Board which required 40 annual payments of $12,233 on May 1, beginning May 1, 1984, and 40 annual payments of $30,709 on December 1, beginning December 1, 1984. These loans were paid off early in 2008.

During 1995 the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority in the amount of $155,435. This loan was for the construction of the Kingsview sewer line extension. The City is obligated under the agreement to make an initial payment of $8,962 on March 1, 1996, and quarterly payments of $2,980 each March 1, June 1, September 1 and December 1 beginning June 1, 1996 and ending March 1, 2015. The loan agreement requires compliance with specified covenants and obligations. In compliance with the requirements, the City has maintained a three-month operations and maintenance reserve, and has complied with the rate covenant. A surcharge on plant investment fees and monthly sewer charges is assessed on all properties in the basin served by the extension of the sewer line to cover the costs of annual debt service. Additional revenues collected above the amount owed is applied on an annual basis to the balance of the note. The outstanding balance on this note at December 31, 2008 was $39,478 and is included in the Sewer Fund.

During 2002 the City entered into a loan agreement with the Colorado Department of Local Affairs for a loan from the Local Government Severance Tax Fund in the amount of $123,000 for construction of the Greenway Business Park sewer line and sewer facility improvements. The City is obligated under the agreement to make an initial payment of $15,929 on September 1, 2003, and annual payments of $15,929 each September thereafter ending September 1, 2012. Revenues of the sewer fund are used to make these payments and additional charges will be assessed to properties benefitting from the extension of the sewer line at the time they connect to the City sewer system. The outstanding amount on this note at December 31, 2008 was $56,484 and is included in the Sewer Fund..

Notes and loans currently outstanding are as follows:

Purpose	Interest Rates	Amount
Business type activities		
sewer line extensions	4.50 - 5.00%	95,962
		$ 95,962

Annual debt service requirements to maturity for notes and loans are as follows:

Year ended	Business-type Activities	
December 31	Principal	Interest
2009	21,903	4,390
2010	19,062	3,461
2011	19,993	2,530
2012	20,969	1,554
2013	6,064	530
2014	6,341	253
2015	1,630	18
	$ 95,962	$ 12,736

Interest expense on notes and loans payable for the year ended December 31, 2008 was $5,148 in the Sewer Fund and $26,331 in the Debt Service Fund.

2. Changes in long-term liabilities
   Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	$ 621,557	$ -	$(621,557)	$ -	$ -
Capital leases	34,480	-	(10,966)	23,514	11,485
Compensated absences	75,448	15,533	-	90,981	-
Governmental activity Long-term liabilities	$ 731,485	$15,533	$(632,523)	$ 114,495	$ 11,485
Business-type activities:					
Notes and loans	113,796	-	(17,834)	95,962	21,903
Capital leases	74,883	-	(51,369)	23,514	11,485
Compensated absences	8,496	100	-	8,596	-
Business-type Long-term liabilities	$ 197,175	$ 100	$ (69,203)	$ 128,072	$ 33,388

The internal service fund predominately serves the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, $3,505 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

G. Reserved funds

Fund balance is reserved to indicate that assets of corresponding amounts are not available for appropriation. The following balances have been reserved on the balance sheet for governmental funds.

1. General Fund. The reserved fund balance of $781,415 consists of $11,623 reserved for gas inventory, $11,848 for maintenance on the Vietnam War Memorial, $87,710 reserved for a community center, $102,234 is reserved for chip seal on streets, $168,000 is reserved for vehicle/equipment replacement and $400,000 is reserved for emergencies as required by Article X, Section 20 of the Colorado Constitution. Unreserved designations for subsequent years expenditures of $26,164 include amounts designated by the City Council for swimming pool improvements of $5,320 and the employee supplemental health insurance program of $20,844.

2. Capital Projects Fund. The reserved fund balance of $263,281 represents interest earnings on development impact fees of which $42,798 is reserved for parks and open space and $220,483 is reserved for street and drainage improvements.

3. Other Governmental Funds. The reserved fund balance of $227,678 represents the fund balance of the Marketing and Promotion Fund of $157,530 which is restricted for use in marketing and promotion of the City and $70,148 which represents the fund balance of the Conservation Trust Fund which is restricted in used for parks, open space and recreational facilities pursuant to C.R.S. 29-21-101.

NOTE 5. BUDGET TO ACTUAL PRESENTATION - PROPRIETARY FUNDS

The City's enterprise funds' budgets are prepared on a basis other than accrual. Modifications to the budgetary basis consist of adding capital expenditures and debt service principal payments and deducting depreciation and amortization expense from GAAP basis expenses. A comparison of budget and actual expenditures with adjustments to convert the expenses at the end of the year on the generally accepted accounting principles (GAAP) basis to the budgetary basis follows.

	Sewer	Trash	Devils Canyon Center	Irrigation Water
Expenses reported in accordance with generally accepted accounting principles (GAAP):				
Operating expenses, deductions	$ 828,046	$ 497,505	$ 42,493	89,989
Transfers	113,400	42,000	-	7,000
Loss on disposal of equipment	-	-	-	-
Interest	6,598	-	-	-
Total expenses GAAP basis	948,044	539,505	42,493	96,989
Modifications to GAAP expenses:				
Add capital expenditures	2,698,851	-	-	4,956
Add debt service payments	69,204	-	-	-
Deduct depreciation and amortization	(295,363)	(600)	(37,045)	(17,965)
Expenditures on budgetary basis	3,420,736	538,905	5,448	83,980
Original Budget	3,275,475	511,000	17,750	87,875
Final Amended Budget	4,301,750	542,000	17,750	92,875
Variance - positive (negative)	$ 881,014	$ 3,095	$ 12,302	$ 8,895

NOTE 6. RETIREMENT PLANS

Effective January 1, 1974, the City of Fruita adopted a defined contribution retirement plan ("City of Fruita Employee's Retirement Plan) for full time employees with six months continuous service, excluding elected officials. The statement of fiduciary net assets and statement of changes in fiduciary net assets for the Retirement Trust Fund are the financial statements of the retirement plan.

The City contributes 3 ½ % of the amount of the employee's compensation as defined by the plan.

Vesting of the City's contribution is 50% at the completion of three years of service, 75% at the completion of four years of service and 100% at the completion of five years. ICMA Retirement Corporation is the trustee for the plan and the City Manager is the plan administrator. The total contribution to allocate for this plan year of 2008 is $87,294. No employee contributions were made to this plan in 2008. The City's total payroll for all employees in 2008 was $2,825,264 of which $2,494,103 was subject to this plan. The plan uses the accrual method of accounting similar to the method used for the proprietary funds. Fair value of the plan investments at December 31, 2008 was $394,742. The investments consist of various funds offered by ICMA Retirement Corporation.

The Colorado legislature established a statewide benefit plan for all policemen hired after April 7, 1978 and for those hired on or before April 7, 1978 who choose to participate. All of the City's police employees were covered by the plan administered by the State until January 1, 1989, when the funds were transferred to another administrator. These funds are now administered in a private money purchase defined contribution pension plan (Fruita Police Department Money Purchase Pension Plan). Employees are eligible to participate from the date of employment. The employee makes a contribution of 10% and the City makes a contribution of 8% of the employee's base salary. The employees cannot make any additional contributions. The City's contribution for each employee (and interest allocated to the employee's account) becomes 20% vested at the completion of two years of service, 40% at the completion of three years of service, 60% at the completion of four years of service and 100% vested at the completion of five years of service. Any non-vested City contributions forfeited by an employee who leaves the City's employment are held in an investment account for the City. The City's policy is to use these forfeited contributions to reduce future contributions to the plan.

The total payroll covered by the plan in 2008 was $785,115. Total contributions for the year ended December 31, 2008, were $78,511 by the employees and $62,809 by the City. These expenses are recorded in the General Fund.

NOTE 7. PUBLIC ENTITY RISK POOL

The City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA provides workers compensation, property and casualty insurance coverages to the City. The coverages are provided through joint self-insurance, insurance and reinsurance, or any combination thereof. CIRSA's rate setting policies are established by the Board of Directors, in consultation with independent actuaries. The City is subject to a supplemental assessment in the event of deficiencies, and may receive credit on future contributions in the event of a surplus.

CIRSA has entered into various excess insurance contracts to limit large losses and minimize exposure on large risks. Excess of loss contracts in effect during 2008 limit CIRSA's per occurrence exposure to $500,000 for property coverages, $1,000,000 for liability coverages and $150,000 for crime coverages, and provide coverage to specified upper limits.

NOTE 8. CONTINGENT LIABILITIES

A. Risk Management

The City is self-insured for property and liability insurance. As discussed in Note VII, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so.

The ultimate liability to the City resulting from claims not covered by CIRSA is not presently determinable. Management and the City's attorney are of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the City's financial statements.

B. Pending litigation

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

C. Contract Commitments

The City has several signed commitments for engineering and construction projects in progress. At year end, the major commitment was for engineering services for the wastewater treatment plant with an outstanding contract balance in the amount of $648,403. Expenses for this commitment are included in the 2009 Budget.

NOTE 9. OPERATING LEASE

The City entered into a ten-year operating lease with a nonprofit corporation for the use of a building, grounds and equipment to be used as a quality science/learning center. According to the lease terms, the City will receive escalating amounts of base rents from $4,200 per month to $4,800 per month. In addition to the base rent, if 10% of admissions receipts exceeds the base rent, then the larger amount will be received. The percentage rent shall be increased to 12.5%

following any year in which the total attendance exceeds 100,000 visitors and 15% following any year in which total attendance exceeds 150,000 visitors. The lease is renewable by lessee for four additional five-year periods at base rents as stipulated in the lease agreement. At the fifth anniversary date of the initial term, the date of expiration of the initial term or the date of expiration of each renewal term the lessee has an option to purchase. The commencement date of the lease was July 1, 2000. The total base rent for the initial ten-year period is $540,000.

NOTE 10. TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR) which has several limitations including revenue raising, spending abilities, debt limitations and other specific requirements of state and local governments.

Future spending and revenue limits are determined based on the prior year's "Fiscal Year Spending" adjusted for allowable increases based upon information and local growth. An election was held in April 2006 and voters approved a measure to allow the City to keep and retain all revenues, including grants, in excess of the fiscal year spending limit for the purpose of implementing the City's capital improvement plan, including the maintenance of capital improvements until December 31, 2012.

TABOR requires the establishment of an emergency reserve of at least 3% of fiscal year spending (excluding bonded debt service). These emergency reserves are restricted in use. This reserve is noted as part of the reserved net assets of the City.

The amendment is complex and subject to judicial interpretation. The City believes it is in compliance with the requirements of the amendment. However, the City has made certain interpretations for the amendment's language in order to determine its compliance.

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the area within which the City of Fruita (the "City") is located in Mesa County (the "County"), Colorado. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the City is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the City of its officers, employees, or advisors.*

Population

The following table sets forth population statistics for the City, the County, and the State.

Population

	City of Fruita		Mesa County		State of Colorado	
Year	Population	Percent Change	Population	Percent Change	Population	Percent Change
1960	1,830	--	50,715	--	1,753,947	--
1970	1,822	(0.4)%	54,374	7.2%	2,207,259	25.9%
1980	2,810	54.2	81,530	49.9	2,889,964	30.9
1990	4,045	44.0	93,145	14.3	3,294,394	14.0
2000	6,478	60.2	116,255	24.8	4,301,261	30.6
2008[1]	11,535	78.1	144,440	24.2	5,011,390	16.5

[1] Estimate.
Sources: U.S. Department of Commerce, Bureau of the Census, and Colorado Division of Local Government

The 2000 median age of the County was 38.1 years, as compared with 34.7 years in 1990. The State's median age for the same period increased from 32.5 in 1990 to 34.3 years in 2000, with the median age of the United States being 32.9 and 35.3 years in 1990 and 2000, respectively.

Income

The following tables set forth historical median household effective buying income and the percentage of households by classification of effective buying income ("EBI") levels for the County, the State and the United States.

Median Household Effective Buying Income

	2004	2005	2006	2007	2008
Mesa County	$33,198	$34,156	$34,980	$35,567	$36,354
Colorado	43,544	44,489	45,594	45,477	44,711
United States	38,201	39,324	40,529	41,255	41,792

Source: *Total Dimensions International, Inc.*-Demographics USA 2004-2008

Percent of Households by Effective Buying Income Groups—2008

	Less Than $15,000	$15,000-$24,999	$25,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000-$149,999	$150,000 or more
Mesa County	14.3%	15.7%	39.2%	17.2%	8.1%	3.4%	2.1%
Colorado	10.7	11.6	34.5	20.7	12.3	6.7	3.5
United States	13.6	13.1	33.3	19.8	11.0	6.0	3.2

Source: *Total Dimensions International, Inc.*-Demographics USA 2008

Per Capita Personal Income

	2003	2004	2005	2006	2007
Mesa County	$25,811	$27,131	$28,872	$30,576	$32,422
Colorado	34,041	35,594	37,611	39,612	41,192
United States	31,530	33,157	34,690	36,794	38,615

Source: Bureau of Economic Analysis, Regional Economic Accounts

School Enrollment

The following table presents a five-year history of school enrollment for the Mesa County Valley School District 51, the school district serving the City.

School Enrollment

School Year	Number of Pupils	Percent Change
2004/2005	20,130	--
2005/2006	20,578	2.2%
2006/2007	21,173	2.9
2007/2008	21,308	0.6
2008/2009	22,159	4.0
2009/2010	22,165 [1]	0.0

[1] Preliminary as of September 30, 2009; subject to change prior to submission of the October headcount to the Colorado Department of Education.
Source: Colorado Department of Education and the Mesa County Valley School District 51

Housing Stock

According to the 2000 Census, there were 48,427 housing units in the County and 2,610 housing units in the City in 2000, compared to a total of 59,924 housing units in the County and 4,569 housing units in the City in 2007. There was a 23.7% and 75.1% increase, respectively.

Building Activity

The following table sets forth historical building permit activity for the City and the County. The County includes incorporated municipalities and unincorporated areas.

History of Estimated Building Activity in the City of Fruita

Year	Residential Permits	Commercial Permits	Valuation all Construction *
2004	432	10	$31,934,310
2005	377	20	50,573,100
2006	228	8	50,056,919
2007	242	20	48,534,370
2008	104	13	56,553,890
2009 [1]	47	2	11,463,034

*Mesa County Assessor's Office valuation of additions to taxable real property due to construction.
[1] Building permits issued through September 30, 2009.
Source: City of Fruita and Mesa County Building Department

History of Estimated Building Permits Issued for New Structures in Mesa County

	Single Family		Multi-Family		Commercial/Industrial	
Year	Permits	Valuation	Permits	Valuation	Permits	Valuation
2004	1,381	$199,436,592	36	$11,723,738	70	$ 30,560,842
2005	1,525	258,047,120	13	3,827,361	80	66,756,203
2006	1,427	267,061,232	27	16,032,577	125	102,725,899
2007	1,308	264,642,448	19	3,724,322	104	83,457,728
2008	223	44,150,306	2	725279	26	6,933,774
2009 [1]	309	58,728,943	--	--	50	29,984,594

[1] Building Permits issues through September 30, 2009 and includes incorporated municipalities and unincorporated areas.
Source: Mesa County Building Department

Foreclosure Activity

The following table sets forth historical foreclosure activity in the County.

History of Foreclosures in Mesa County

Year	Foreclosures Filed	Percent Change
2004	392	--
2005	384	(2.0)%
2006	352	(8.3)
2007	393	11.7
2008	469	19.3
2009 [1]	915	--

[1] Foreclosures filed through October 14, 2009. The large increase in foreclosures is due in primarily to softening in the housing market in the Grand Junction area in response to the diminished oil and gas development in the region.
Source: Mesa County Public Trustee's Office

Retail Sales

The retail trade sector employs a large portion of the county's work force and is important to the area's economy. The following table sets forth recent retail sales figures for the City, the County and the State as reported by the Colorado Department of Revenue.

Retail Sales [1]

Year	City of Fruita	Percent Change	Mesa County	City as Percent of County	State of Colorado
2004	$ 99,637,716	--	$3,215,831,708	3.1%	$114,280,780,304
2005	119,495,118	19.9%	3,777,368,959	3.1	122,907,090,008
2006	136,585,123	14.3	4,448,537,027	3.1	133,531,307,352
2007	184,166,163	34.8	5,083,618,277	3.6	148,673,215,731
2008	226,083,022	22.8	5,418,766,800	4.2	152,747,684,188
2009 [2]	40,435,822	--	1,005,263,644	4.0	31,421,789,409

[1] Retail sales differ significantly from taxable sales due to the exemption of various classes of tangible personal property and sales transactions from taxation.
[2] Retail sales through March 2009.
Sources: State of Colorado, Department of Revenue, *Sales Tax Statistics*

Employment

The following tables set forth the most recent employment statistics by industry for the County and historical labor force estimates for the Grand Junction Metropolitan Statistical Area ("MSA") and the State.

Total Business Establishments and Employment-Mesa County

	First Quarter 2008		First Quarter 2009		Annual Change	
Industry [1]	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, forestry, fishing and hunting	39	317	47	363	8	46
Mining	168	3,552	215	4,158	47	606
Utilities	14	224	13	234	(1)	10
Construction	854	5,545	822	5,314	(32)	(231)
Manufacturing	201	3,168	199	2,784	(2)	(384)
Wholesale trade	290	2,392	305	2,549	15	157
Retail trade	636	8,510	630	8,118	(6)	(392)
Transportation and warehousing	221	2,223	233	2,384	12	161
Information	66	987	61	913	(5)	(74)
Finance and insurance	277	2,193	268	2,152	(9)	(41)
Real estate and rental and leasing	340	1,219	318	1,158	(22)	(61)
Professional and technical services	598	2,317	643	2,426	45	109
Management of companies and enterprises	21	83	23	190	2	107
Administrative and waste services	283	3,153	291	2,877	(8)	(276)
Educational services	32	235	35	264	3	29
Health care and social assistance	388	8,441	414	8,570	26	129
Arts, entertainment, and recreation	70	1,119	64	1,106	(6)	(13)
Accommodation and food services	280	6,244	290	6,151	10	(93)
Other services, except public administration	342	1,722	344	1,829	2	107
Non-classifiable	6	7	4	2	(2)	(5)
Government	111	8,762	110	9,116	(1)	354
Total	5,237	62,413	5,329	62,658	92	245

[1] Information provided herein reflects those employers who are subject to state unemployment insurance law.
Source: Colorado Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages ("QCEW") Colorado

Labor Force Estimates

	Grand Junction MSA		Colorado	
Year	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed
2004	69,472	5.5%	2,536,946	5.6%
2005	71,417	5.0	2,585,986	5.1
2006	74,978	4.0	2,651,378	4.3
2007	78,896	3.2	2,705,557	3.8
2008	82,111	3.9	2,730,447	4.9
2009 [1]	85,224	8.0	2,714,661	7.6

[1] Labor force estimates averaged through July 31, 2009.
Source: State of Colorado, Division of Employment and Training, Labor Market Information, *Colorado Labor Force Review*

The following table sets forth selected major employers in the City and County. No independent investigation has been made of and no representation is made herein as to the stability or financial condition of the listed entities, or the likelihood that they will maintain their status as major employers in the area.

Selected Major Employers in the Area [1]

Firm	Product or Service	Estimated Employees
St. Mary's Hospital	Health Care Services	2,235 [2]
State Government	Government Services	1,259 [2]
Mesa County School District	Public Education	398
Family Health West	Elder Care	386
City Market	Grocery	123
Fruita (City of)	Government Services	101
Craftmasters Custom Building Systems, LLC.	Manufactured Home Production	80
Fruita Coop	Farm and Ranch Cooperative	75
Cudd Pumping Services	Oil Field Services and Equipment	60
Industrial Insulation Group, LLC	Insulation Products	60

[1] As of June 2009.
[2] Employee count includes the entire County.
Source: City of Fruita

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company ("DTC") New York, New York and DTC's book-entry-only system has been obtained from DTC, and the City and the Underwriter take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, each in the aggregate principal amount of each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

APPENDIX E

FORM OF BOND COUNSEL OPINION

City of Fruita
Fruita, Colorado

Assured Guaranty Corp.
New York, New York

George K. Baum & Company
Denver, Colorado

$2,440,000
City of Fruita, Colorado
Sales and Use Tax Revenue Bonds
Series 2009A

$10,125,000
City of Fruita, Colorado
Sales and Use Tax Revenue Bonds
(Federally Taxable—Issuer Subsidy—Build America Bonds)
Series 2009B

Ladies and Gentlemen:

We have been engaged by the City of Fruita, Colorado (the "City"), as bond counsel in connection with the issuance of its Sales and Use Tax Revenue Bonds, Series 2009A, in the aggregate principal amount of $2,440,000 (the "Series 2009A Bonds") and its Sales and Use Tax Revenue Bonds (Federally Taxable—Issuer Subsidy—Build America Bonds), Series 2009B, in the aggregate principal amount of $10,125,000 (the "Taxable Series 2009B Bonds" and together with the Series 2009A Bonds, the "Bonds").

The Bonds mature on the dates, bear interest at the rates, and are transferable and payable in the manner and subject to the conditions and limitations provided in the ordinances authorizing the issuance of the Bonds (collectively, the "Bond Ordinance") adopted by the governing body of the City (capitalized terms used and not otherwise defined herein shall have the respective meanings assigned them in the Bond Ordinance).

We have examined the Constitution and laws of the State of Colorado, the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph 3 below; the provisions of the Securities Act of 1933, as amended, and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph 5 below; and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law and as of the date hereof, that:

1. The Bonds in the principal amount stated above are valid and binding revenue obligations of the City, legally enforceable in accordance with their terms, and the Bond Ordinance and the ordinance authorizing the imposition of the City's Sales and Use Tax (which ordinance is identified in the Bond Ordinance) have been duly authorized, are in full force and effect, and are valid and enforceable in accordance with their respective terms.

2. The City irrevocably pledges for payment of the Bonds, and grants a first lien (but not necessarily an exclusive first lien) for such purpose on the Pledged Revenues.

3. Under the statutes, regulations, rulings and judicial decisions existing on the date hereof, interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. Also, because the City has properly designated the Series 2009A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code, any bank, thrift institution or other financial institution owning the Series 2009A Bonds may be able to avoid the loss of 80% of any otherwise available interest deduction attributable to its tax-exempt holdings. The opinions set forth in the preceding sentences assume compliance by the City with certain requirements of the Tax Code that must be met subsequent to the issuance of the Series 2009A Bonds. Failure to comply with such requirements could cause such interest to be includible in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Series 2009A Bonds. The City has covenanted in the Bond Ordinance and in the Tax Compliance Certificate executed and delivered in connection with the issuance of the Series 2009A Bonds to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. Interest on the Taxable Series 2009B Bonds is includable in gross income for federal income tax purposes, although there is no legal precedent regarding characterization for federal income tax purposes of instruments with the same terms as the Taxable Series 2009B Bonds, we are of the opinion that the Taxable Series 2009B Bonds will be characterized as indebtedness for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Taxable Series 2009B Bonds.

5. Under State of Colorado existing statutes, the Series 2009A Bonds and the Taxable Series 2009B Bonds and the income therefrom are exempt from taxation in the State of Colorado, except inheritance, estate, and transfer taxes.

6. The Bonds are exempt from registration under the Securities Act of 1933, as amended.

The rights of the holders of the Bonds and the enforceability of the Bonds and the Bond Ordinance may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Any federal tax advice contained in this opinion and in the Official Statement was written to support the marketing of the Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor.

The City is our sole client in this transaction and we have not been engaged by, nor have we undertaken to advise any other party or to opine as to matters not specifically covered herein. This opinion letter is solely for the benefit of the addressees hereof and may not be circulated, quoted or relied upon by any party other than the addressees without our prior written consent, except that a copy may be included in the closing transcripts for the Bonds. The inclusion of George K. Baum (the "Underwriter") and Assured Guaranty Corp. (the "Bond Insurer") as an addressee to this opinion does not create or imply an attorney-client relationship between Kutak Rock LLP and the Underwriter or the Bond Insurer in connection with the Bonds.

Respectfully submitted,

APPENDIX F

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH℠

Financial Guaranty Insurance Policy

Issuer:

Obligations:

Policy No.:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: ______________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel