

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
Elbert County, Colorado

FINANCIAL STATEMENTS
December 31, 2012

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Independent Auditor's Report

Board of Directors
Elkhorn Ranch Metropolitan District No. 1
Elbert County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Elkhorn Ranch Metropolitan District No. 1 (District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Elkhorn Ranch Metropolitan District No. 1 District, as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 29, 2013

BASIC FINANCIAL STATEMENTS

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - unrestricted	\$ 305,331
Cash and investments - restricted	310,290
Receivable from county treasurer	3,269
Prepaid expense	2,273
Property taxes receivable	293,359
Capital assets not being depreciated	6,543,614
Capital assets being depreciated, net	14,149
Total assets	<u>7,472,285</u>
LIABILITIES	
Accounts payable	3,486
Accrued interest payable	159,012
Bonds payable:	
Due within one year	115,000
Due in more than one year	8,150,000
Developer advance payable:	
Due in more than one year	207,725
Interest on Developer advances due in more than one year	17,805
Total liabilities	<u>8,653,028</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	<u>293,359</u>
Total deferred inflows of resources	<u>293,359</u>
NET POSITION	
Net investment in capital assets:	(1,707,237)
Restricted for:	
Emergency Reserves	4,533
Debt service	152,884
Road improvements	232,840
Unrestricted	(157,122)
Total net position	<u>\$ (1,474,102)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 80,997	\$ -	\$ -	\$ -	\$ (80,997)
Interest and other costs on long-term debt	567,526	-	-	-	(567,526)
	<u>\$ 648,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (648,523)</u>
General revenues:					
Property taxes					290,292
Specific ownership taxes					43,030
Infrastructure support fees					89,600
Miscellaneous income					31,857
Net investment income					1,506
Total general revenues					<u>456,285</u>
Change in net position					(192,238)
Net position - beginning (as restated)					<u>(1,281,864)</u>
Net position- ending					<u>\$ (1,474,102)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General	Debt Service	Debt Service - Subordinate Bonds	Capital Projects	Total Governmental Funds
ASSETS					
Cash and investments - unrestricted	\$ 72,491	\$ -	\$ -	\$ 232,840	\$ 305,331
Cash and investments - restricted	-	310,290	-	-	310,290
Receivable from county treasurer	288	2,981	-	-	3,269
Property taxes receivable	25,869	267,490	-	-	293,359
Prepaid expenditures	2,273	-	-	-	2,273
Total assets	<u>\$ 100,921</u>	<u>\$ 580,761</u>	<u>\$ -</u>	<u>\$ 232,840</u>	<u>\$ 914,522</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,111	\$ 1,375	\$ -	\$ -	\$ 3,486
Total liabilities	<u>2,111</u>	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>3,486</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property tax revenue	25,869	267,490	-	-	293,359
Total deferred inflows of resources	<u>25,869</u>	<u>267,490</u>	<u>-</u>	<u>-</u>	<u>293,359</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	2,273	-	-	-	2,273
Spendable:					
Restricted for:					
Emergency Reserves	4,533	-	-	-	4,533
Debt Service	-	311,896	-	-	311,896
Road improvements	-	-	-	232,840	232,840
Unrestricted	66,135	-	-	-	66,135
Total fund balances	<u>72,941</u>	<u>311,896</u>	<u>-</u>	<u>232,840</u>	<u>617,677</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
	<u>\$ 100,921</u>	<u>\$ 580,761</u>	<u>\$ -</u>	<u>\$ 232,840</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,557,763
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Bonds payable	(8,265,000)
Interest on bonds payable	(159,012)
Developer advance	(207,725)
Interest on developer advances	(17,805)
Net position of governmental activities	<u>\$ (1,474,102)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended December 31, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Debt Service - Subordinate Bonds</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUE					
Property taxes	\$ 25,599	\$ 264,693	\$ -	\$ -	\$ 290,292
Specific ownership tax	3,795	39,235	-	-	43,030
Infrastructure support fee	89,600	-	-	-	89,600
Miscellaneous	31,857	-	-	-	31,857
Interest income	131	1,264	-	111	1,506
Total revenue	<u>150,982</u>	<u>305,192</u>	<u>-</u>	<u>111</u>	<u>456,285</u>
EXPENDITURES					
Audit	1,950	1,950	-	-	3,900
County treasurer's fee	769	7,952	-	-	8,721
Directors' fees	2,600	-	-	-	2,600
District management	19,982	4,995	-	-	24,977
Dues	353	-	-	-	353
Insurance and bonds	2,198	-	-	-	2,198
Legal	22,384	5,596	-	-	27,980
Repairs and maintenance	6,600	-	-	-	6,600
Support Services	1,744	-	-	-	1,744
Miscellaneous	836	-	-	-	836
Debt service					
Bond principal	-	80,000	-	-	80,000
Bond interest	-	431,587	118,125	-	549,712
Paying agent fees	-	3,037	-	-	3,037
Total expenditures	<u>59,416</u>	<u>535,117</u>	<u>118,125</u>	<u>-</u>	<u>712,658</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>91,566</u>	<u>(229,925)</u>	<u>(118,125)</u>	<u>111</u>	<u>(256,373)</u>
OTHER FINANCING SOURCES (USES)					
Transfer from (to) other funds	111	-	-	(111)	-
Total other financing sources (uses)	<u>111</u>	<u>-</u>	<u>-</u>	<u>(111)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	91,677	(229,925)	(118,125)	-	(256,373)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(18,736)</u>	<u>541,821</u>	<u>118,125</u>	<u>232,840</u>	<u>874,050</u>
FUND BALANCE - END OF YEAR	<u>\$ 72,941</u>	<u>\$ 311,896</u>	<u>\$ -</u>	<u>\$ 232,840</u>	<u>\$ 617,677</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2012**

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

Net changes in fund balances - total governmental funds		\$ (256,373)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:</p>		
Bond principal payments		80,000
<p>Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlay is not reported as an expenditure. This amount represents net capital outlay for the current period.</p>		
Depreciation		(1,088)
<p>Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>		
Net change in accrued interest on developer advances	(14,541)	
Net change in accrued interest on bond interest	(236)	(14,777)
Change in net position of governmental activities		\$ (192,238)

These financial statements should be read only in connection with the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
GENERAL FUND

Year Ended December 31, 2012

	<u>Budget Amounts</u>		<u>Variance with Final Budget</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
REVENUE			
Property taxes	\$ 25,599	\$ 25,599	\$ -
Specific ownership tax	4,200	3,795	(405)
Infrastructure support fee	176,400	89,600	(86,800)
Miscellaneous income	-	31,857	31,857
Interest income	500	131	(369)
Total revenue	<u>206,699</u>	<u>150,982</u>	<u>(55,717)</u>
EXPENDITURES			
<u>General</u>			
Audit	2,500	1,950	550
County treasurer's fee	768	769	(1)
Directors' fees	5,500	2,600	2,900
District management and accounting	32,000	19,982	12,018
Dues and subscriptions	350	353	(3)
Elections	9,500	-	9,500
Insurance and bonds	2,000	2,198	(198)
Legal	16,000	22,384	(6,384)
Utilities	500	-	500
Repairs and maintenance	1,000	6,600	(5,600)
Support services	-	1,744	(1,744)
Miscellaneous	1,000	836	164
Emergency Reserve	900	-	900
Total expenditures	<u>72,018</u>	<u>59,416</u>	<u>12,602</u>
EXCESS OF REVENUE OVER (UNDER)	<u>134,681</u>	<u>91,566</u>	<u>(43,115)</u>
EXPENDITURES			
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	200	111	(89)
Total other financing sources (uses)	<u>200</u>	<u>111</u>	<u>(89)</u>
NET CHANGE IN FUND BALANCE	134,881	91,677	(43,204)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(20,353)</u>	<u>(18,736)</u>	<u>1,617</u>
FUND BALANCE - END OF YEAR	<u>\$ 114,528</u>	<u>\$ 72,941</u>	<u>\$ (41,587)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - DEFINITION OF REPORTING ENTITY

Elkhorn Ranch Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on June 18, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area boundaries are located entirely in Elbert County, Colorado (County).

The District was established principally to coordinate the construction, acquisition, financing and maintenance of public improvements, including streets and safety control, landscaping, water, sewer, storm drainage, television relay, and park and recreation improvements and facilities. Upon completion of construction and installation, it is the District's intent to dedicate all public improvements to the County or its designee for operation and maintenance. Certain landscaping, park and recreation improvements, and street lighting may be maintained by the District or by a homeowners' association.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

The District reports the following major governmental funds:

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

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Budgets

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

For the year ended December 31, 2012, the District approved additional appropriations in the Debt Service Subordinate Bond Fund from \$0 to \$118,125.

Pooled Cash and Investments

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

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include equipment, CIP, landscaping, are reported in the governmental activities column in the governmental-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Landscaping improvements	20-25 years
Park and recreation equipment	15-20 years

System Development Fees

The District imposes certain development impact and facility fees on property within the District. The fees are required to be paid prior to the issuance of a building permit by the County. The District records the revenue when the fees are paid and received. The infrastructure fee for road improvements is to be used solely for the improvement of certain access roads into the District.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of December 31, 2012, the District imposed the following fees per single-family equivalent:

Facility fee - \$3,500
Infrastructure fee for road improvements - \$2,220
Water surcharge fee - \$3,940
Infrastructure support fee - \$1,400

On February 10, 2011, the District approved the imposition of an Infrastructure Support Fee of \$1,400 for each undeveloped lot within the District. The fee is due and payable on the first day of August 2011, and each August 1 thereafter, until a certificate of occupancy is issued for the undeveloped lot. The fee shall be imposed but waived on a dollar-for-dollar basis to the extent that the owner of such undeveloped lot provides any developer advances to the District from August 2 of the year immediately preceding the imposition of the Infrastructure Support Fee to August 1 of the year the Infrastructure Support Fee is imposed.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - Unrestricted	\$ 305,331
Cash and investments - Restricted	<u>310,290</u>
Total cash and investments	<u>\$ 615,621</u>

Cash and investments as of December 31, 2012 consist of the following:

Deposits with financial institutions	\$ 326,876
Investments	<u>288,745</u>
Total cash and investments	<u>\$ 615,621</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2012, the District's cash deposits had a bank balance of \$327,603 and a carrying balance of \$326,876.

Investments

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

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

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

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

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

The local government investment pool Colorado Surplus Asset Fund Trust (CSAFE) is rated AAAM by Standard & Poor's.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2012, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 288,745</u>

CSAFE

During 2012, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. As of December 31, 2012, the District had \$288,745 invested in CSAFE and held by a Trustee in the name of the District.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2012, follows:

	<u>Balance at December 31, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2012</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Open Space	\$ 240,000	\$ -	\$ -	\$ 240,000
Construction in process:				
Streets	6,303,614	-	-	6,303,614
Total capital assets, not being depreciated	<u>6,543,614</u>	<u>-</u>	<u>-</u>	<u>6,543,614</u>
Capital assets being depreciated:				
Landscape and parks	21,766	-	-	21,766
Total capital assets, being depreciated	<u>21,766</u>	<u>-</u>	<u>-</u>	<u>21,766</u>
Less accumulated depreciation for:				
Landscape and parks	(6,529)	(1,088)	-	(7,617)
Total accumulated depreciation	<u>(6,529)</u>	<u>(1,088)</u>	<u>-</u>	<u>(7,617)</u>
Total assets being depreciated, net	<u>15,237</u>	<u>(1,088)</u>	<u>-</u>	<u>14,149</u>
Governmental activities capital assets, net	<u>\$ 6,558,851</u>	<u>\$ (1,088)</u>	<u>-</u>	<u>\$ 6,557,763</u>

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense is charged to the general government function/program in the Statement of Activities.

In accordance with the District's service plan, it is anticipated that, except for certain landscaping, water, park and recreation improvements and street lighting, the District will dedicate the improvements and facilities to the County or its designee. Upon acceptance by the County or its designee for maintenance and ownership, the facilities will be removed from the District's property records.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2012:

	<u>Balance at December 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
G.O. Limited Tax Convertible to Unlimited Tax Bonds, Series 2005	\$ 6,770,000	\$ -	\$ 80,000	\$ 6,690,000	\$ 85,000
Subordinate Convertible Capital Appreciation Bond, Series 2006	1,575,000	-	-	1,575,000	30,000
Developer advances	207,725	-	-	207,725	-
Accrued interest on developer advances	3,264	14,541	-	17,805	-
	<u>\$ 8,555,989</u>	<u>\$ 14,541</u>	<u>\$ 80,000</u>	<u>\$ 8,490,530</u>	<u>\$ 115,000</u>

The detail of the District's long-term obligations is as follows:

General Obligation Bonds, Series 2005A

On September 1, 2005, the District issued \$6,950,000 in General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2005A. The Bonds are term bonds maturing on December 1, 2035 at 6.375% interest. Interest is payable semi-annually on June 1 and December 1 each year, commencing December 1, 2005. The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Bonds are also subject to mandatory sinking fund redemption on December 1, 2008, and on each December 1 thereafter in increasing amounts until the maturity date.

The Bonds are general obligations of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes, the facility fee (see Note 2), and specific

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

ownership taxes collected by the County and remitted to the District primarily on motor vehicle licensing. The Bonds are also secured by amounts collected pursuant to a Facility Fees Agreement, which obligate Elkhorn Ranch Venture, LLC (Developer) and U.S. Homes of Colorado, Inc. to make scheduled payments of facility fees to the extent that facility fee revenue of the District is less than the scheduled facility fee payments as described below. Until the debt to assessed value ratio of the District is equal to 50% or less, pledged revenue that is not needed to pay debt service on the bonds in any year will be deposited to and held in the Bond Surplus Fund, up to the maximum amount of \$695,000. The amount held in the Bond Surplus Fund at December 31, 2012 was \$288,719.

Proceeds of the bonds were used to pay a portion of the costs of acquiring and constructing capital improvements, provide capitalized interest for the payment of a portion of the interest on the bonds, and to pay costs of issuance.

Subordinate Convertible Capital Appreciation Bond, Series 2006B

On April 17, 2006, the District issued \$1,575,000 in Subordinate Convertible Capital Appreciation Bonds, Series 2006B at a discounted value of \$1,299,265. The Bonds are term bonds maturing on December 1, 2036 at 7.5% interest. Interest is payable annually on December 15 each year, commencing December 15, 2009. The principal amount of the Bonds shall bear interest from April 17, 2007 to December 14, 2008, and such interest will compound on each December 15 prior to December 1, 2009.

Such compounded interest shall thereafter constitute Accreted Interest. Beginning on December 15, 2008, the Accreted Value of the Bonds shall bear interest at the interest rate. The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2008, and on any date thereafter, upon payment the redemption price. The Bonds are also subject to mandatory sinking fund redemption on December 15, 2011, and on each December 15 thereafter.

The Bonds are subordinate obligations of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes, specific ownership taxes collected by the County and remitted to the District primarily on motor vehicle licensing and any moneys released from the "Elkhorn Ranch Metropolitan District No. 1 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2005A, Surplus Fund".

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Proceeds of the bonds were used to satisfy a portion of the District's obligations under the Elkhorn Ranch Venture, LLC Advance and Reimbursement Agreement.

The District's long-term obligations relating to the general obligation and subordinate bonds will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 115,000	\$ 660,488	\$ 775,488
2014	115,000	536,943	651,943
2015	120,000	529,500	649,500
2016	140,000	521,737	661,737
2017	145,000	512,700	657,700
2018 - 2022	1,020,000	2,395,801	3,415,801
2023 - 2027	1,720,000	1,982,138	3,702,138
2028 - 2032	2,605,000	1,304,494	3,909,494
2033 - 2036	2,285,000	337,313	2,622,313
	<u>\$ 8,265,000</u>	<u>\$ 8,781,114</u>	<u>\$ 17,046,114</u>

Advance and Reimbursement Agreement - Elkhorn Ranch Venture, LLC

The District entered into an advance and reimbursement agreement with Elkhorn Ranch Venture, LLC (Elkhorn) on April 20, 2006. The agreement stipulates that the District shall reimburse Elkhorn for any advances made to the District, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2012, the District had no outstanding advances under the agreement. (See Note 9).

Advance and Reimbursement Agreement - Elkhorn Land Company, LLC

The District entered into an advance and reimbursement agreement with Elkhorn Land Company, LLC (Elkhorn Land) on August 19, 2003, which was amended on August 2, 2011. The agreement stipulates that the District shall reimburse Elkhorn Land for any advances made to the District, together with interest at the rate of 7% per annum. The amended agreement allows Elkhorn Land to provide a Developer advance in lieu of the imposition of the Infrastructure Support Fee. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

District. At December 31, 2012, the District owed the developer \$89,600 in principal and \$8,970 in accrued interest. (See Note 9.)

Advance and Reimbursement Agreement - The Bromley Companies, LLC

The District entered into an advance and reimbursement agreement with The Bromley Companies, LLC (Bromley) on August 19, 2003. The agreement stipulates that the District shall reimburse Bromley for any advances made to the District, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2012, the District had no outstanding advances under this agreement. (See Note 9.)

Advance and Reimbursement Agreement – Red Tierra Equities, LLC

The District entered into an advance and reimbursement agreement with Red Tierra Equities, LLC on December 6, 2011. The agreement stipulates that the District shall reimburse the developer for any advances made to the District, together with interest at the rate of 7% per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2012, the District owed the developer \$118,125 in principal and \$8,835 in accrued interest. (See Note 9.)

Authorized Debt

On May 7, 2002, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$30,350,000 at an interest rate not to exceed 18% per annum. At December 31, 2012, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

	Total Authorized	Remaining at December 31, 2012
Street improvements	\$ 8,400,000	\$ 2,467,865
Park and recreation facilities	1,820,000	1,820,000
Water supply improvements	3,780,000	1,462,870
Sanitary sewer system	1,000,000	1,000,000
Operations and maintenance	350,000	350,000
Debt refunding	15,000,000	15,000,000
	<u>\$ 30,350,000</u>	<u>\$ 22,100,735</u>

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 6 – FUND EQUITY

At December 31, 2012, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$2,273 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$4,533 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

The restricted fund balance in the Debt Service Fund in the amount of \$311,896 is to be used exclusively for debt service requirements (see Note 5).

The restricted fund balance in the Capital Projects Fund in the amount of \$232,840 is to be used exclusively for the improvements of certain access roads into the District as collected through infrastructure fees for road improvements (see Note 2).

NOTE 7 - NET POSITION

The District has a net position consisting of three components – net investment in capital assets, restricted; and unrestricted.

The net investment in capital assets consists of capital assets that will be owned by the District, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2012, The District had a net investment in capital assets in the amount of \$(1,707,237).

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has restricted amounts of \$152,884 for debt service and \$232,840 for road improvements as of December 31, 2012. The District also had restricted amount of \$4,533 for Emergency Reserves.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 8 - INTERFUND TRANSFERS

During 2012, the Capital Projects Fund transferred \$111 of interest income to the General Fund.

NOTE 9 - RELATED PARTY

The members of the Board of Directors of the District are employees of, owners of, or otherwise associated with Elkhorn Ranch Venture, LLC, Red Tierra Equities, LLC, Elkhorn Land Company, LLC and The Bromley Companies, LLC and may have conflicts of interest in dealing with the District. Specific details of transactions with Elkhorn Ranch Venture, LLC, Elkhorn Land Company, LLC and The Bromley Companies, LLC regarding organization, advances and debt are described elsewhere in these footnotes. Additionally, the District's general obligation bonds (Series 2006B) were purchased by CAW Equities, LLC, a company that is owned by members of the Board of Directors.

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS

Permanent Water Service Agreement

On August 18, 2005, the District entered into a water service agreement with Arapahoe County Water and Wastewater Authority (ACWWA). Under the agreement, the District has dedicated appropriate sites and easements to ACWWA to the extent necessary for ACWWA to provide water service to the District's service area. The District has constructed certain water lines and related facilities necessary to provide this water service. During 2005, these water improvements were conveyed to ACWWA for ownership and maintenance.

To help fund the District's cost of constructing the water facilities, ACWWA has credited to the District 109 prepaid water tap fees, as well as a surcharge fee on each water tap with an initial credit value of \$1,606,660. Upon receipt of the 109th water tap, the District shall remit all remaining tap fees and surcharge fees to ACWWA. As of December 31, 2012, the District had received water tap fee and surcharge fee revenue on 102 lots.

NOTE 11 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. The Pool is an organization created by intergovernmental agreement to

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 11 - RISK MANAGEMENT (CONTINUED)

provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

On May 7, 2002, a majority of the District's electors authorized the District to collect and spend or retain in reserve taxes of \$100,000 annually for District operations and maintenance. The electors also authorized the District to collect, retain, and spend any revenue from sources other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 13 - ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay the District's debt service requirements, and operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer to pay long-term debt obligations, operations, and capital requirements.

NOTE 14 – NEW GASB STANDARDS

For the year ended December 31, 2012, the District implemented the following GASB Statements:

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities – GASBS No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Although this Statement is effective for periods beginning after December 15, 2012, the District elected to early implement it in fiscal year 2012 in conjunction with the implementation of GASBS No. 63.

NOTE 15 – NET POSITION RESTATEMENT

The District has restated the prior year's net position due to early implementation of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The net change is as follows:

Net position - governmental activities - as originally reported December 31, 2011	\$ (1,086,118)
Adjustment to record bond issuance costs related to implementation of GASB 65	<u>(195,746)</u>
Net position - restated December 31, 2011	<u>\$ (1,281,864)</u>

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2012

	<u>Budget Amounts</u>		<u>Variance with Final Budget</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
REVENUE			
Property taxes	\$ 264,693	\$ 264,693	\$ -
Special ownership taxes	42,000	39,235	(2,765)
Facility fees/system development fees	-	-	-
Interest income	1,000	1,264	264
	<u>307,693</u>	<u>305,192</u>	<u>(2,501)</u>
EXPENDITURES			
<u>General</u>			
Audit	2,500	1,950	550
County treasurer's fee	7,941	7,952	(11)
District management and accounting	8,000	4,995	3,005
Legal	4,200	5,596	(1,396)
<u>Debt Service</u>			
Bond Principal	90,000	80,000	10,000
Bond interest	548,962	431,587	117,375
Paying agent fees	2,000	3,037	(1,037)
	<u>663,603</u>	<u>535,117</u>	<u>128,486</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES	<u>(355,910)</u>	<u>(229,925)</u>	<u>125,985</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(355,910)	(229,925)	125,985
FUND BALANCE - BEGINNING OF YEAR	608,267	541,821	(66,446)
FUND BALANCE - END OF YEAR	<u>\$ 252,357</u>	<u>\$ 311,896</u>	<u>\$ 59,539</u>

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE SUBORDINATE BOND FUND
Year Ended December 31, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Miscellaneous income	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
EXPENDITURES				
<u>Debt Service</u>				
Bond interest	-	118,125	118,125	-
	-	118,125	118,125	-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES				
	-	(118,125)	(118,125)	-
OTHER FINANCING SOURCES (USES)				
Developer advance	-	-	-	-
	-	-	-	-
NET CHANGE IN FUND BALANCE				
	-	(118,125)	(118,125)	-
FUND BALANCE - BEGINNING OF YEAR				
	-	-	118,125	118,125
FUND BALANCE - END OF YEAR				
	\$ -	\$ (118,125)	\$ -	\$ 118,125

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2012

	Budget Amounts	Actual	Variance with Final Budget
	Original and Final	Amounts	Positive (Negative)
REVENUE			
Interest income	\$ 200	\$ 111	\$ (89)
Total revenue	200	111	(89)
EXPENDITURES			
Capital outlay			
County road improvements	230,620	-	230,620
Total expenditures	230,620	-	230,620
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES			
	(230,420)	111	230,531
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	(200)	(111)	89
Total other financing sources (uses)	(200)	(111)	89
NET CHANGE IN FUND BALANCE			
	(230,620)	-	230,620
FUND BALANCE - BEGINNING OF YEAR			
	230,620	232,840	2,220
FUND BALANCE - END OF YEAR			
	\$ -	\$ 232,840	\$ 232,840

OTHER INFORMATION

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2012

	\$6,950,000		\$1,575,000		Total
	General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds Dated September 1, 2005 Interest Rate of 6.375% Payable on June 1 and December 1 Principal due on December 1		General Obligation Subordinate Bonds (Non-Rated, Convertible CAB) Dated April 17, 2006 Interest Rate of 7.5% Principal and Interest due on December 15		
	Principal	Interest	Principal	Interest	
2013	\$ 85,000	\$ 426,488	\$ 30,000	\$ 234,000	\$ 775,488
2014	105,000	421,068	10,000	115,875	651,943
2015	110,000	414,375	10,000	115,125	649,500
2016	130,000	407,362	10,000	114,375	661,737
2017	135,000	399,075	10,000	113,625	657,700
2018	155,000	390,469	15,000	112,875	673,344
2019	165,000	380,588	20,000	111,750	677,338
2020	185,000	370,069	20,000	110,250	685,319
2021	200,000	358,275	20,000	108,750	687,025
2022	220,000	345,525	20,000	107,250	692,775
2023	235,000	331,500	35,000	105,750	707,250
2024	260,000	316,519	60,000	103,125	739,644
2025	280,000	299,944	65,000	98,625	743,569
2026	310,000	282,094	70,000	93,750	755,844
2027	330,000	262,331	75,000	88,500	755,831
2028	360,000	241,294	85,000	82,875	769,169
2029	385,000	218,344	90,000	76,500	769,844
2030	420,000	193,800	100,000	69,750	783,550
2031	445,000	167,025	110,000	62,250	784,275
2032	490,000	138,656	120,000	54,000	802,656
2033	520,000	107,419	130,000	45,000	802,419
2034	565,000	74,269	145,000	35,250	819,519
2035	600,000	38,250	155,000	24,375	817,625
2036	-	-	170,000	12,750	182,750
	\$ 6,690,000	\$ 6,584,739	\$ 1,575,000	\$ 2,196,375	\$17,046,114

**ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2012**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2006	\$ 3,376,820	55.000	\$185,725	\$ 185,724	100.00%
2007	\$ 4,746,020	55.000	\$261,031	\$ 261,032	100.00%
2008	\$ 6,338,290	55.000	\$348,606	\$ 348,223	99.89%
2009	\$ 6,882,280	55.000	\$378,525	\$ 277,404	73.29%
2010	\$ 7,667,740	55.000	\$421,726	\$ 496,888	117.82%
2011	\$ 7,257,220	56.700	\$411,484	\$ 411,391	99.98%
2012	\$ 5,119,780	56.700	\$290,292	\$ 290,292	100.00%
Estimated for the year ending December 31, 2013	\$ 5,173,880	56.700	\$293,359		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.