

CERTIFIED RECORD

OF

PROCEEDINGS RELATING TO

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1

ELBERT COUNTY, COLORADO

AND THE BUDGET HEARING

FOR FISCAL YEAR

2013

STATE OF COLORADO)
)
COUNTY OF ELBERT)ss.
)
ELKHORN RANCH)
METROPOLITAN DISTRICT NO. 1)

The Board of Directors (the "Board") of the Elkhorn Ranch Metropolitan District No. 1 (the "District"), Elbert County, Colorado, held a special meeting at Community Resource Services of Colorado, L.L.C., 7995 East Prentice Avenue, Suite 103E, Greenwood Village, Colorado, on November 29, 2012, at 12:00 p.m.

Present were the following members of the Board:

Robert A. Lembke
Theodore R. Shipman
James Korpala
Kurt Schlegel
Michael Wandell

Also in attendance were:

Joel Meggers, Cathy Fromm and Sue Blair; Community Resource Services, LLC.
Dianne D. Miller & Brad Neiman; Miller & Associates Law Offices, LLC

The Chairman stated that proper publication was made to conduct a public hearing on the District's 2013 budget. The Chairperson opened the public hearing on the District's proposed 2013 budget. There being no public present to comment on the District's budget, the public hearing was closed.

Thereupon, Director Schlegel introduced and moved the adoption of the following Resolution:

RESOLUTION

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, AND APPROPRIATING SUMS OF MONEY TO THE GENERAL FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE ELKHORN RANCH METROPOLITAN DISTRICT NO. 1, ELBERT COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2013, AND ENDING ON THE LAST DAY OF DECEMBER, 2013,

WHEREAS, the Board of the District has authorized its consultants to prepare and submit a proposed budget to said governing body no later than October 15, 2012; and

~~WHEREAS, the proposed budget has been submitted to the Board of the District for its consideration; and~~

WHEREAS, upon due and proper notice, posted in accordance with Colorado Law and published on November 28, 2012 in a newspaper having general circulation within the boundaries of the District, pursuant to statute, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on November 29, 2012 and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, the budget being adopted by the Board has been prepared based on the best information available to the Board regarding the effects of § 29-1-301, C.R.S., and Article X, § 20 of the Colorado Constitution; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ELKHORN RANCH METROPOLITAN DISTRICT NO. 1 OF ELBERT COUNTY, COLORADO, AS FOLLOWS:

Section 1. 2013 Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto as **Exhibit A** are accepted and approved.

Section 2. 2013 Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto as **Exhibit A** are accepted and approved.

Section 3. Adoption of Budget for 2013. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted by the Board as the true and accurate budget of the District for fiscal year 2013.

Section 4. 2013 Levy of General Property Taxes. That the 2012 valuation for assessment, as certified by the Elbert County Assessor, is \$5,173,880.

A. Levy for General Fund. That the foregoing budget indicates that the amount of money necessary to balance the budget for the General Fund for operating expenses is \$25,869. That for the purposes of meeting all general operating expense of the District during the 2013 budget year, there is hereby levied a tax of 5.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2013.

B. Levy for Debt Retirement Expense. That the foregoing budget indicates that the amount of money necessary to balance the budget for meeting all debt retirement expenses is \$267,490. That, for the purposes of meeting all debt retirement expenses of the District during the 2013 budget year, there is hereby levied a tax of 51.700 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2013.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. The District's manager is hereby authorized and directed to immediately certify to the Board of County Commissioners of Elbert County the mill levies for the District hereinabove determined and set. That said certification shall be in substantially the following form:

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of ELBERT COUNTY, Colorado.

On behalf of the ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
(taxing entity)^A

the BOARD OF DIRECTORS
(governing body)^B

of the ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 5,173,880 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 5,173,880

Submitted: 12/12/2012 for budget/fiscal year 2013.
(not later than Dec. 15) (dd/mm/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY ²	REVENUE ²
1. General Operating Expenses ^G	5.000 mills	\$ 25,869
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^H	< > mills	\$ < >
SUBTOTAL FOR GENERAL OPERATING:	5.000 mills	\$ 25,869
3. General Obligation Bonds and Interest ^I	51.700 mills	\$ 267,490
4. Contractual Obligations ^J	_____ mills	\$ _____
5. Capital Expenditures ^K	_____ mills	\$ _____
6. Refunds/Abatements ^L	_____ mills	\$ _____
7. Other ^M (specify): _____	_____ mills	\$ _____
	_____ mills	\$ _____
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	56.700 mills	\$ 293,359

Contact person: (print) Sue Blair Daytime phone: (303) 381-4977
Signed: *Sue Blair* Title: District Manager

Send one completed copy of this form to the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, Colorado 80203 when the local government's adopted budget is submitted to DLG. Questions? Call DLG at (303) 866-2156.

¹ If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's final certification of valuation).

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDSⁱ:

- | | | |
|----|-------------------|---|
| 1. | Purpose of Issue: | Funding of Capital Improvements |
| | Series: | 2005A |
| | Date of Issue: | September 1, 2005 |
| | Coupon Rate: | 6.375% |
| | Maturity Date: | December 1, 2035 |
| | Levy: | 51.700 |
| | Revenue: | \$267,490 |
| | | |
| 2. | Purpose of Issue: | Funding of Capital Improvements/Developer Reimbursement |
| | Series: | 2006B |
| | Date of Issue: | April 17, 2006 |
| | Coupon Rate: | 7.5% |
| | Maturity Date: | December 1, 2036 |
| | Levy: | Included above |
| | Revenue: | Included above |

CONTRACTS^j:

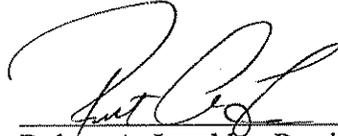
- | | | |
|----|----------------------|-------|
| 3. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |
| | | |
| 4. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |

Use multiple copies of this page as necessary to report all bond and contractual obligations.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto as **Exhibit A**, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

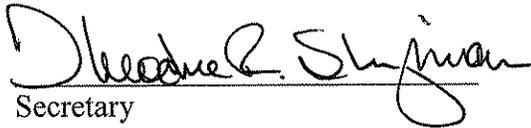
The foregoing Resolution was seconded by Korpai.

ADOPTED AND APPROVED this 29th day of November, 2012.



Robert A. Lembke, President

ATTEST:



Secretary

STATE OF COLORADO)
)
COUNTY OF ELBERT)ss.
)
ELKHORN RANCH)
METROPOLITAN DISTRICT NO. 1)

I, Theodore R. Shyman Secretary to the Board of Directors (the "Board") of Elkhorn Ranch Metropolitan District No. 1 (the "District"), Elbert County, Colorado, do hereby certify that the foregoing pages constitute a true and correct copy of the record of proceedings of the Board of said District, adopted at a meeting of the Board held at Community Resource Services of Colorado, L.L.C., 7995 East Prentice Avenue, Suite 103E, Greenwood Village, Colorado, on November 29, 2012 at 12:00 p.m., as recorded in the official record of the proceedings of the District, insofar as said proceedings relate to the budget hearing for fiscal year 2013; that said proceedings were duly had and taken; that the meeting was duly held; and that the persons were present at the meeting as therein shown. Further, I hereby certify that the attached budget is a true and accurate copy of the 2013 budget of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the official seal of the District this 29th day of November, 2012.

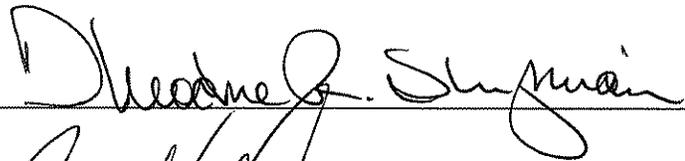


Theodore R. Shyman
Secretary

ACKNOWLEDGEMENT OF NOTICE AND
APPROVAL OF RECORD OF PROCEEDINGS

We, the undersigned members of the Board of Directors of Elkhorn Ranch Metropolitan District No. 1, Elbert County, Colorado, do hereby acknowledge receipt of proper notice of the meeting of the Board held Thursday, November 29, 2012 at 12:00 p.m., at Community Resource Services of Colorado, L.L.C., 7995 East Prentice Avenue, Suite 103E, Greenwood Village, Colorado, informing of the date, time and place of the meeting and the purpose for which it was called, and we do hereby approve said record of proceedings and the actions taken by the Board as stated therein.





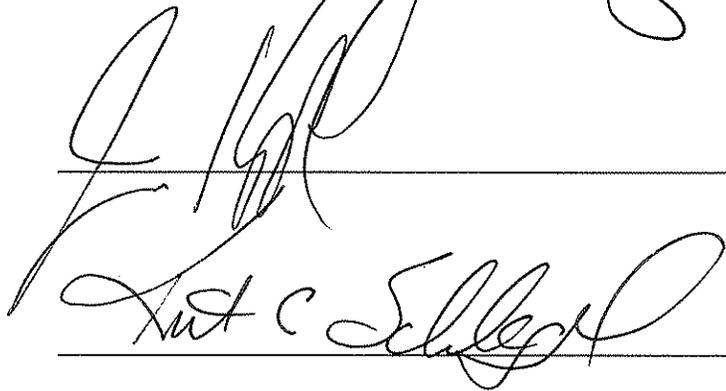


EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

**Elkhorn Ranch Metropolitan District #1
GENERAL FUND
ADOPTED 2013 BUDGET**

	2011 Actual	YTD Actual 10/31/2012	2012 Estimated	Adopted 2012 Budget	Adopted 2013 Budget	Variance 2012 Estimated vs 2013 Budget Favorable (Unfavorable)
REVENUE						
Property Taxes	\$ 36,278	\$ 25,372	\$ 25,599	\$ 25,599	\$ 25,869	\$ -
Specific Ownership Taxes	4,693	2,875	3,900	4,200	3,900	-
Infrastructure Support Fee/Developer Advance	-	89,600	89,600	176,400	31,750	(57,850)
Miscellaneous Revenue	-	31,858	31,858	-	-	(31,858)
Open Space Fees	-	-	-	-	1,500	1,500
Interest Income	70	190	225	500	500	-
Total Revenue	\$ 41,041	\$ 149,895	\$ 151,182	\$ 206,699	\$ 63,519	\$ (87,663)
EXPENDITURES						
Auditing	\$ 1,900	\$ 1,950	\$ 1,950	\$ 2,500	\$ 2,500	\$ (550)
Directors' Fees	3,600	-	3,000	5,500	3,500	(500)
District Management/Accounting	28,969	17,090	23,000	32,000	25,000	(2,000)
Dues and Subscriptions	557	353	353	350	400	(47)
County Treasurer's Fees	98	762	768	768	776	(8)
Elections	-	-	-	9,500	-	-
Insurance and Bonds	1,954	2,198	2,198	2,000	2,200	(2)
Legal	17,391	20,837	28,000	16,000	18,000	10,000
Miscellaneous Administrative Expense	2,799	563	1,000	1,000	1,000	-
Open Space expenses	-	-	1,000	-	500	500
Utilities	-	-	-	500	500	(500)
Repairs and Maintenance	6,600	-	-	1,000	7,000	(7,000)
Support Services	-	1,267	1,500	-	1,500	-
Emergency Reserve	-	-	-	900	-	-
Total Expenditures	\$ 63,868	\$ 45,020	\$ 62,769	\$ 72,018	\$ 62,876	\$ (107)
EXCESS OF REVENUE OVER(UNDER) EXPENDITURES	\$ (22,827)	\$ 104,875	\$ 88,413	\$ 134,681	\$ 643	\$ (87,770)
OTHER FINANCING SOURCES(USES)						
Developer Advance	\$ 89,600	\$ -	\$ -	\$ -	\$ -	-
Transfer from(to) Other Funds	766	-	-	200	200	-
Total Other Financing Sources	\$ 90,366	\$ -	\$ -	\$ 200	\$ 200	-
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	\$ 67,539	\$ 104,875	\$ 88,413	\$ 134,881	\$ 843	-
BEGINNING FUND BALANCE (DEFICIT)	\$ (86,275)	\$ (18,736)	\$ (18,736)	\$ (20,353)	\$ 69,677	-
ENDING FUND BALANCE (DEFICIT)	\$ (18,736)	\$ 86,139	\$ 69,677	\$ 114,528	\$ 70,520	-

**Elkhorn Ranch Metropolitan District #1
DEBT SERVICE FUND
ADOPTED 2013 BUDGET**

	2011 Actual	YTD Actual 10/31/2012	2012 Estimated	Adopted 2012 Budget	Adopted 2013 Budget	Variance 2012 Estimated vs 2013 Budget Favorable (Unfavorable)
REVENUE						
Property Taxes	\$ 375,113	\$ 262,350	\$ 264,693	\$ 264,693	\$ 267,490	\$ -
Specific Ownership Taxes	48,411	29,723	39,500	42,000	42,000	2,500
Interest Income	1,719	981	1,200	1,000	1,000	(200)
Total Revenue	\$ 425,243	\$ 293,054	\$ 305,393	\$ 307,693	\$ 310,490	\$ 5,097
EXPENDITURES						
<u>General</u>						
District Management/Accounting	\$ 8,040	\$ 4,272	\$ 5,700	\$ 8,000	\$ 5,500	200
Auditing	1,900	1,950	1,950	2,500	2,500	(550)
County Treasurer's Fees	932	7,877	7,941	7,941	8,025	(84)
Legal	4,734	5,470	7,300	4,200	6,500	800
<u>Debt Service</u>						
Bond Principal	65,000	-	80,000	90,000	85,000	(5,000)
Bond Interest Expense	435,731	215,794	431,587	548,962	426,488	5,099
Paying Agent Fees	2,276	1,609	2,200	2,000	2,200	-
Total Expenditures	\$ 518,613	\$ 236,972	\$ 536,678	\$ 663,603	\$ 536,213	\$ 465
EXCESS OF REVENUE OVER(UNDER) EXPENDITURES	\$ (93,370)	\$ 56,082	\$ (231,285)	\$ (355,910)	\$ (225,723)	\$ 5,562
OTHER FINANCING SOURCES						
Developer advance	\$ -	\$ -	\$ -	\$ -	\$ -	-
Transfer from(to) Other Funds	-	-	-	-	-	-
Total Other Financing Sources	\$ -	\$ -	\$ -	\$ -	\$ -	-
EXCESS OF REVENUE AND OTHER FINANCING USES OVER(UNDER) EXPENDITURES	\$ (93,370)	\$ 56,082	\$ (231,285)	\$ (355,910)	\$ (225,723)	
BEGINNING FUND BALANCE	\$ 635,191	\$ 541,821	\$ 541,821	\$ 608,267	\$ 310,536	
ENDING FUND BALANCE	\$ 541,821	\$ 597,903	\$ 310,536	\$ 252,357	\$ 84,813	

**Elkhorn Ranch Metropolitan District #1
DEBT SERVICE SUBORDINATE BOND FUND
ADOPTED 2013 BUDGET**

	2011 Actual	YTD Actual 10/31/2012	2012 Estimated	Adopted 2012 Budget	Adopted 2013 Budget	Variance 2012 Estimated vs 2013 Budget Favorable (Unfavorable)
REVENUE						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Specific Ownership Taxes	-	-	-	-	-	-
Facility Fees (\$3,500)	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES						
<u>General</u>						
District Management/Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	-
Auditing	-	-	-	-	-	-
County Treasurer's Fees	-	-	-	-	-	-
Legal	-	-	-	-	-	-
<u>Debt Service</u>						
Bond Principal	-	-	20,000	-	10,000	10,000
Bond Interest Expense	-	118,125	235,500	-	116,625	118,875
Paying Agent Fees	-	-	-	-	-	-
Total Expenditures	\$ -	\$ 118,125	\$ 255,500	\$ -	\$ 126,625	\$ 128,875
EXCESS OF REVENUE OVER(UNDER) EXPENDITURES	\$ -	\$ (118,125)	\$ (255,500)	\$ -	\$ (126,625)	\$ 128,875
OTHER FINANCING SOURCES						
Developer advance	\$ 118,125	\$ -	\$ 137,375	\$ -	\$ 126,625	
Total Other Financing Sources	\$ 118,125	\$ -	\$ 137,375	\$ -	\$ 126,625	
EXCESS OF REVENUE AND OTHER FINANCING USES OVER(UNDER) EXPENDITURES	\$ 118,125	\$ (118,125)	\$ (118,125)	\$ -	\$ -	
BEGINNING FUND BALANCE	\$ -	\$ 118,125	\$ 118,125	\$ -	\$ -	
ENDING FUND BALANCE	\$ 118,125	\$ -	\$ -	\$ -	\$ -	

**Elkhorn Ranch Metropolitan District No. 1
CAPITAL PROJECTS FUND - ROAD FEES
ADOPTED 2013 BUDGET**

	2011 Actual	YTD Actual 10/31/2012	2012 Estimated	Adopted 2012 Budget	Adopted 2013 Budget	Variance 2012 Estimated vs 2013 Budget Favorable (Unfavorable)
REVENUE						
Road Fees (\$2,220)	\$ 2,220	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	766	-	-	200	200	-
Total Revenue	\$ 2,986	\$ -	\$ -	\$ 200	\$ 200	\$ -
EXPENDITURES						
County Road #17	\$ -	\$ -	\$ -	\$ -	\$ 120,000	\$ (120,000)
Road Improvements	-	-	-	230,620	112,840	(112,840)
Total Expenditures	\$ -	\$ -	\$ -	\$ 230,620	\$ 232,840	\$ (232,840)
EXCESS OF REVENUE OVER(UNDER) EXPENDITURES	\$ 2,986	\$ -	\$ -	\$ (230,420)	\$ (232,640)	\$ (232,840)
OTHER FINANCING USES						
Transfer to Other Funds	\$ (766)	\$ -	\$ -	\$ (200)	\$ (200)	
Total Other Financing Uses	\$ (766)	\$ -	\$ -	\$ (200)	\$ (200)	
EXCESS OF REVENUE AND OTHER FINANCING USES OVER(UNDER) EXPENDITURES	\$ 2,220	\$ -	\$ -	\$ (230,620)	\$ (232,840)	
BEGINNING FUND BALANCE - CASH	\$ 230,620	\$ 232,840	\$ 232,840	\$ 230,620	\$ 232,840	
ENDING FUND BALANCE - CASH	\$ 232,840	\$ 232,840	\$ 232,840	\$ -	\$ -	

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
2013 BUDGET MESSAGE

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 prepares its budget on the modified accrual basis of accounting.

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

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

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

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.

Elkhorn Ranch Metropolitan District No. 1
Page Two

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.

Facility fee - \$3,500

Infrastructure fee for road improvements - \$2,220

Water surcharge fee - \$3,940

Infrastructure support fee - \$1,400

Debt Service

Debt service payments for the 2005 general obligation bonds and 2006 subordinate bonds are listed on 2 of the budget. Principal and interest are consistent with payments anticipated in the debt service requirements in the bond documents.

Emergency Reserves

The District has provided for an emergency reserve equal to at last 3% of the fiscal year spending for 2013 as defined under TABOR.