

**CASTLE OAKS METROPOLITAN DISTRICT AND
CASTLE OAKS METROPOLITAN DISTRICT NOS. 2 & 3
TOWN OF CASTLE ROCK, COLORADO**

2011 CONSOLIDATED ANNUAL REPORT

Pursuant to the Amended and Restated Service Plan for Castle Oaks Metropolitan District and the Service Plans for Castle Oaks Metropolitan District Nos. 2 and 3 (collectively the "Districts"), the Districts are required to submit an annual report to the Town of Castle Rock, Colorado (the "Town") which reflects activity and financial events of the Districts through the preceding December 31 (the "report year") and includes the following:

For the year ending December 31, 2011, the Districts make the following report:

A. A narrative summary of the progress of the Districts in implementing their service plan for the report year.

Castle Oaks Metropolitan District has previously constructed and financed a large portion of the infrastructure necessary to serve the property within its boundaries. The construction of additional public infrastructure within the Districts has not been necessary.

B. Except when an exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the Districts for the report year including a statement of financial condition (i.e. balance sheet) as of December 31 of the report year and the statement of operations (i.e. revenues and expenditures) for the report year.

A copy of the audit for Castle Oaks Metropolitan District as well as the audit exemptions filed by District Nos. 2 and 3 for the year ending December 31, 2011 are attached hereto as **Exhibit A**.

C. Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by the Districts in development of public facilities in the report year, as well as any capital improvements or projects proposed to be undertaken in the five (5) years following the report year.

No capital construction was undertaken by the Districts during 2011. Copies of the Districts' budgets for the year ending December 31, 2011 are attached as **Exhibit B**. The following is a summary of the planned improvements for the next five (5) years.

Extension of Autumn Sage to South to provide Roadway for Rec Center/ June-December 2013 - \$900,000

Castle Oaks Drive Complete to Hwy 86/\$2.6 Million/ June – December, 2014

Castle Oaks Drive to N. Autumn Sage/\$2.4 Million/June-Dec, 2016

Power Line Relocations, \$1.4 Million/ Jan-June, 2015

Castle Oaks Drive Completion to North Boundary, \$2.4 Million/ Jan-Dec 2016

D. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the Districts at the end of the report year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the report year, the amount of payment or retirement of existing indebtedness or long-term obligations issued in the report year, the total assessed valuation of all taxable properties within the Districts as of January 1 of the report year, and the current mill levy of the Districts pledged to debt retirement in the report year.

A summary of the financial obligations of the Districts can be found in the budgets attached as **Exhibit B**.

E. The Districts' budgets for the calendar year in which the annual report is submitted.

Copies of the Districts' 2012 budgets are attached as **Exhibit C**.

F. A summary of residential and commercial development that has occurred within the Districts for the report year.

During 2011 forty (40) certificates of occupancy were issued by the Town of Castle Rock for residential units within the boundaries of the District. Forty six (46) building permits were issued during 2011.

G. A summary of all fees, charges and assessments imposed by the Districts as of January 1 of the report year.

Castle Oaks Metropolitan District has imposed a facilities development fee on the property within the District in the amount of \$3,465.

H. Certification of the Boards that no action, event, or condition of Section 11.02.060 (Material Modification of Service Plan) has occurred in the report year.

The Certificate is attached as **Exhibit D**.

I. The names, business addresses and phone numbers of all members of the Boards and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the board.

Boards of Directors:

Michael Woodley
Woodley Architectural
731 SouthPark Dr. Suite B
Littleton, CO 80120
303-683-7231

Matt Janke
Meritage Homes
7400 E. Orchard Rd. Suite 4000 N
Greenwood Village, CO 80111
303-406-4356

Glen R. Smith
Park Land Company
9800 Mt. Pyramid Ct. Suite 340
Englewood, CO 80112
303-771-3355

Janet Smith
Park Land Company
9800 Mt. Pyramid Ct. Suite 340
Englewood, CO 80112
303-771-3355

Daniel Wilhelm
CenterPointe Integrated Solutions, LLC
1240 Bergen Parkway, Suite A-250
Evergreen, CO 80439
(303) 679-6975

Regular Meetings:

Date: Second Thursday of June and October
Place: 9800 Mt. Pyramid Court Suite 340, Englewood CO 80112
Time: 9:00 a.m.

General Counsel:

George M. Rowley, Esq.
WHITE, BEAR & ANKELE
Professional Corporation
2154 E Commons Ave, Suite 2000
Centennial, CO 80122

EXHIBIT A

Audit and Audit Exemptions for the Year Ending December 31, 2011

CASTLE OAKS METROPOLITAN DISTRICT

Financial Statements

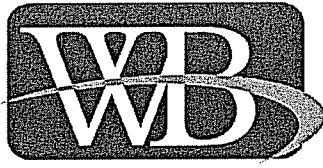
Year Ended December 31, 2011

With

Independent Auditors' Report

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WAGNER
BARNES, PC

Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Castle Oaks Metropolitan District
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Castle Oaks Metropolitan District (the District) as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Castle Oaks Metropolitan District, as of December 31, 2011, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted management's discussion and analysis that 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.

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 supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Lakewood, Colorado
June 20, 2012

I

Wagner Barnes, PC

CASTLE OAKS METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
December 31, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS						
Cash and investments	\$ 3,540	\$ -	\$ 5,351	\$ 8,891	\$ -	\$ 8,891
Cash and investments - restricted	-	1,348,470	-	1,348,470	-	1,348,470
Property taxes receivable - current	237	2,726	-	2,963	-	2,963
Property taxes receivable - deferred	35,344	406,457	-	441,801	-	441,801
Development fees receivable	-	145,530	-	145,530	-	145,530
Developer contributions receivable	14,283	-	-	14,283	-	14,283
Prepaid expenses	6,859	-	-	6,859	-	6,859
Due from other funds	-	-	9,478	9,478	(9,478)	-
Due from District #2	100	-	-	100	-	100
Due from District #3	100	-	-	100	-	100
Bond costs of issuance, net of amortization	-	-	-	-	157,005	157,005
Total Assets	<u>\$ 60,463</u>	<u>\$ 1,903,183</u>	<u>\$ 14,829</u>	<u>\$ 1,978,475</u>	<u>147,527</u>	<u>2,126,002</u>
LIABILITIES						
Accounts payable	\$ 1,287	\$ -	\$ -	\$ 1,287	-	1,287
Deferred property taxes	35,344	406,457	-	441,801	-	441,801
Deferred development fees	-	145,530	-	145,530	-	145,530
Accrued interest on bonds	-	-	-	-	29,691	29,691
Due to other funds	2,862	6,616	-	9,478	(9,478)	-
Long-term liabilities:						
Due within one year	-	-	-	-	85,000	85,000
Due in more than one year	-	-	-	-	16,205,137	16,205,137
Total Liabilities	<u>39,493</u>	<u>558,603</u>	<u>-</u>	<u>598,096</u>	<u>16,310,350</u>	<u>16,908,446</u>
FUND BALANCE/NET ASSETS						
Nonspendable:						
Prepays	6,859	-	-	6,859	(6,859)	-
Restricted:						
Emergencies	1,736	-	-	1,736	(1,736)	-
Debt service	-	1,344,580	-	1,344,580	(1,344,580)	-
Capital projects	-	-	14,829	14,829	(14,829)	-
Unassigned	12,375	-	-	12,375	(12,375)	-
Total Fund Balances	<u>20,970</u>	<u>1,344,580</u>	<u>14,829</u>	<u>1,380,379</u>	<u>(1,380,379)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 60,463</u>	<u>\$ 1,903,183</u>	<u>\$ 14,829</u>	<u>\$ 1,978,475</u>		
Restricted for:						
Emergencies					1,736	1,736
Debt service					1,314,889	1,314,889
Capital projects					14,829	14,829
Unrestricted					<u>(16,113,898)</u>	<u>(16,113,898)</u>
Total Net Assets (Deficit)					<u>\$ (14,782,444)</u>	<u>\$ (14,782,444)</u>

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

CASTLE OAKS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 14,568	\$ -	\$ -	\$ 14,568	\$ -	\$ 14,568
Insurance	2,533	-	-	2,533	-	2,533
Legal	41,820	-	-	41,820	-	41,820
Litigation expense	17,574	-	-	17,574	-	17,574
Miscellaneous expenses	50	-	-	50	-	50
Treasurer's fees	673	7,737	-	8,410	-	8,410
Bond principal	-	75,000	-	75,000	(75,000)	-
Bond interest expense	-	360,788	-	360,788	(375)	360,413
Paying agent fees	-	6,075	-	6,075	-	6,075
Amortize bond cost of issuance	-	-	-	-	10,100	10,100
Interest on developer notes	-	-	-	-	720,000	720,000
Total Expenditures	<u>77,218</u>	<u>449,600</u>	<u>-</u>	<u>526,818</u>	<u>654,725</u>	<u>1,181,543</u>
GENERAL REVENUES						
Property taxes	44,837	515,620	-	560,457	-	560,457
Specific ownership taxes	2,962	34,057	-	37,019	-	37,019
Miscellaneous income	65	-	-	65	-	65
Interest income	18	1,317	2	1,337	-	1,337
Total General Revenues	<u>47,882</u>	<u>550,994</u>	<u>2</u>	<u>598,878</u>	<u>-</u>	<u>598,878</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(29,336)</u>	<u>101,394</u>	<u>2</u>	<u>72,060</u>	<u>(654,725)</u>	<u>(582,665)</u>
OTHER FINANCING SOURCES (USES)						
Developer advance	(3,938)	-	-	(3,938)	3,938	-
Developer contributions	54,244	-	-	54,244	-	54,244
Total Other Financing Sources (Uses)	<u>50,306</u>	<u>-</u>	<u>-</u>	<u>50,306</u>	<u>3,938</u>	<u>54,244</u>
NET CHANGE IN FUND BALANCES	20,970	101,394	2	122,366	(122,366)	
CHANGE IN NET ASSETS					(532,359)	(532,359)
FUND BALANCE/NET ASSETS						
BEGINNING OF YEAR	-	1,243,186	14,827	1,258,013	(15,508,098)	(14,250,085)
END OF YEAR	<u>\$ 20,970</u>	<u>\$ 1,344,580</u>	<u>\$ 14,829</u>	<u>\$ 1,380,379</u>	<u>\$ (16,162,823)</u>	<u>\$ (14,782,444)</u>

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

CASTLE OAKS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2011

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 44,833	\$ 44,837	\$ 4
Specific ownership taxes	3,053	2,962	(91)
Miscellaneous income	17	65	48
Interest income	<u>-</u>	<u>18</u>	<u>18</u>
 Total Revenues	 <u>47,903</u>	 <u>47,882</u>	 <u>(21)</u>
EXPENDITURES			
Accounting and audit	14,000	14,568	(568)
Insurance	2,500	2,533	(33)
Legal	50,000	41,820	8,180
Litigation expense	315,000	17,574	297,426
Miscellaneous expenses	847	50	797
Treasurers fees	671	673	(2)
Contingency	3,903	-	3,903
Emergency reserve	<u>11,491</u>	<u>-</u>	<u>11,491</u>
 Total Expenditures	 <u>398,412</u>	 <u>77,218</u>	 <u>321,194</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(350,509)</u>	 <u>(29,336)</u>	 <u>(321,215)</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	315,000	(3,938)	(318,938)
Developer contribution	<u>-</u>	<u>54,244</u>	<u>54,244</u>
 Total Other Financing Sources (Uses)	 <u>315,000</u>	 <u>50,306</u>	 <u>(264,694)</u>
 CHANGE IN FUND BALANCE	 <u>(35,509)</u>	 <u>20,970</u>	 <u>56,479</u>
 FUND BALANCE - BEGINNING OF YEAR	 <u>\$ 35,509</u>	 <u>\$ -</u>	 <u>\$ (35,509)</u>
 FUND BALANCE - END OF YEAR	 <u>\$ -</u>	 <u>\$ 20,970</u>	 <u>\$ 20,970</u>

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

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2011

Note 1: Summary of Significant Accounting Policies

The accounting policies of Castle Oaks Metropolitan District (“the District”), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized in November 2001, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide street improvements, water and sanitation, parks and recreation, safety protection, transportation services, mosquito control and television relay and translation. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

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.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District has no component units as defined by the Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

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

The District is not financially accountable for any other organization.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net assets and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net assets reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net assets. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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. The appropriation is at the total fund expenditures level and lapses at year end.

The District amended its total appropriations in the Debt Service Fund from \$446,022 to \$451,022 primarily due to paying agent fees.

Assets, Liabilities and Net Assets

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2011, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

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 minimum number of bank accounts. 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.

Internal Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Assets.

Estimates

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Bond Issue Costs

Bond issue costs from the Series 2005 Bonds are being amortized over the respective terms of the bonds using the interest method. Accumulated amortization of bond issue costs amounted to \$318,412 at December 31, 2011.

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Beginning with fiscal year ending December 31, 2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$6,859 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,736 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,344,580 is restricted for the payment of the debt service costs associated with the Limited Tax General Obligation bonds (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$14,829 is restricted for the payment of the costs for capital improvements within the District.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2011

Note 2: Cash and Investments

As of December 31, 2011, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 8,891
Cash and investments – Restricted	<u>1,348,470</u>
Total	<u>\$ 1,357,361</u>

Cash and investments as of December 31, 2011 consist of the following:

Deposits with financial institutions	\$ 3,540
Investments – CSAFE	1,010,485
Investments – COLOTRUST	<u>343,336</u>
	<u>\$ 1,357,361</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal deposit policy. None of the District’s deposits were exposed to custodial credit risk.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00.

The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2011, the District had \$343,336 invested in COLOTRUST.

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s. CSAFE 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, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. 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 custodians’ internal records identify the investments owned by CSAFE. At December 31, 2011, the District had \$1,010,485 invested in CSAFE.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2011, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	Weighted average Under 60 days	\$ 343,336
CSAFE	Weighted average Under 60 days	<u>1,010,485</u>
Total investments		\$ <u>1,357,361</u>

Note 3: Capital Assets

Upon completion and acceptance, all fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance. As of December 31, 2011 all fixed assets have been conveyed to the Town of Castle Rock.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2011, is as follows:

In 2005, the District issued \$16,000,000 of General Obligation Bonds Series 2005 dated September 26, 2005. The bonds were issued to finance capital improvements and retire outstanding 2002 Bond Anticipation Notes in the amount of \$3,000,000. The bonds are term bonds. \$6,000,000 in principal, bearing interest at 6.0% is due on December 1, 2025. \$10,000,000 in principal, bearing interest at 6.125%, is due on December 1, 2035. The interest is payable semiannually on each June 1 and December 1. The bonds are subject to an early redemption prior to their respective maturities at the option of the District, at a redemption price equal to the principal amount plus accrued interest to the redemption date, without a redemption premium, on December 1, 2015 or any date thereafter. The bonds are subject to a mandatory redemption if the conditions of the use of the restricted construction funds are not met by October 15, 2009. As a result, on December 1, 2009 an extraordinary redemption of \$9,965,000 was made.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

The bonds are payable solely from pledged revenue consisting of a limited tax mill levy of no more than 50 mills adjusted for change in assessed value calculation, and a portion of the Pledged Development Fee on each residential lot within the District. The bonds will be converted from Limited Tax Obligations to Unlimited Tax Obligations at such time as the ratio of the principal outstanding debt to the District's current assessed valuation declines to 50% or less. The District is required to impose the mill levy sufficient to pay the debt service without limitation as to rate. Following conversion, the District will no longer be required to impose the minimum mill levy.

Facility Acquisition Agreement

On September 24, 2004 the District entered into a Facilities Acquisition Agreement with the Former Developer, whereby the Former Developer agreed to pay for construction of public improvements and the District agreed to reimburse the Former Developer from bond issues, plus interest at 8% per annum from the date of each advance until repayment. The District's obligation to pay amounts due under the agreement is subject to annual appropriation and the debt is not construed as multiple fiscal year debt.

During 2010, the Castle Oaks Estates, LLC and Autumn Sage Development LTD relationship with the District ended and the Former Developer forgave \$3,180,375 of note principal and \$3,174,154 of note interest and transferred the remaining principal balance of \$9,000,000 to a Taxable Promissory Note between the District and Autumn Sage Development, LTD.

In May 2011 a Termsheet for Settlement of the \$9,000,000 Promissory Note Dispute was signed by Autumn Sage Development, Ltd. and Starwood Land Ventures ("Termsheet"). In the Termsheet the parties agree that the \$9,000,000 note was invalid and the obligation to repay has reverted back to the obligation under the Facility Acquisition Agreement with 1/9 owed to Autumn Sage Development, Ltd. and 8/9 owed to Starwood Land Ventures.

Funding and Reimbursement Agreement

On October 14, 2010, the District, Castle Oaks Metropolitan District No.2 and Castle Oaks Metropolitan District No. 3 entered into a Funding and reimbursement Agreement with SLV Castle Oaks, LLC ("the Developer") whereby, the Developer agrees to pay costs for permitted District purposes, including but not limited to: capital costs and costs in the nature of general operating, administrative and maintenance costs and other costs necessary to continue good

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

standing under applicable law. Under this agreement, the Developer agrees to loan to the Districts one or more sums of money, not to exceed the aggregate of \$450,000, bearing simple interest at 7.0% per annum, and shall be available to the Districts through December 31, 2011. Thereafter, the Developer may agree to renew its obligations on an annual basis.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2005 bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 85,000	\$ 356,287	\$ 441,287
2013	90,000	351,188	441,188
2014	100,000	345,787	445,787
2015	110,000	339,788	449,788
2016	120,000	333,187	453,187
2017 - 2021	760,000	1,545,638	2,305,638
2022 - 2026	1,115,000	1,279,237	2,394,237
2027 - 2031	1,665,000	769,913	2,434,913
2032 - 2035	1,815,000	287,262	2,102,262
	<u>\$ 5,860,000</u>	<u>\$ 5,608,287</u>	<u>\$ 11,468,287</u>

The following is an analysis of changes in long-term debt for the period ending December 31, 2011:

	<u>Balance</u> <u>01-01-11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-11</u>	<u>Current</u> <u>Portion</u>
General Obligation Limited					
Bond Series 2005	\$ 5,935,000	\$ -	\$ 75,000	\$ 5,860,000	\$ 85,000
Facilities Agreement					
Principal	9,000,000	-	-	9,000,000	-
Interest	710,137	720,000	-	1,430,137	-
Total	<u>\$ 15,645,137</u>	<u>\$ 720,000</u>	<u>\$ 75,000</u>	<u>\$ 16,290,137</u>	<u>\$ 85,000</u>

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2011

Debt Authorization

In 2000, District voters authorized the District to issue \$250,750,000 of general obligation bonds or other financial obligations for the infrastructure development, parks and recreation, performance of intergovernmental agreements, formation of a regional water authority, refinancing of district debt, and other uses. At December 31, 2011 the District had \$231,750,000 in remaining authorization. However, the District's Service Plan limits its general obligation debt to \$25,000,000.

Note 5: Related Party

Multiple members of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest with respect to certain transactions which come before the Board.

Note 6: Agreements

Development Fee Agreement

The District entered into a Development Fee Agreement with the Former Developer. The Former Developer guaranteed to fund any shortfall in Facility Development Fees received by the District with respect to property within the District owned by the Former Developer. The shortfall amounts are to be calculated semiannually as of April 15th and October 15th and are to be paid each May 1st and November 1st. The following schedule lists the payments that remain outstanding at December 31, 2011:

May 1, 2009	\$ 72,265
November 1, 2009	<u>72,265</u>
Total	<u>\$ 144,530</u>

The Resolution of the Castle Oaks Metropolitan District Regarding the Imposition of Facilities / Development Fees, as amended, imposes a lien on the property in the District for the collection of the fees at the time of building permit.

Cost Sharing Agreement

The District entered into a Development and Cost Sharing Agreement with MDC Land Corporation ("MDC") on July 10, 2006. The District has agreed to share in costs of installing certain portable water mains and streets with MDC. As of December 31, 2011, no payments have been made under this agreement.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements

December 31, 2011

Intergovernmental Agreement

On October 28, 2002, as amended September 2, 2003, the District entered into an agreement with the Town of Castle Rock (the Town) whereby the District will finance and construct public improvements which are necessary to provide municipal services within the District's Boundaries as set forth in the Service Plan. Upon completion of the improvements, the District is required to convey the improvements to the Town. Upon acceptance, the Town is responsible for operation, maintenance, and repair of such improvements. The District imposes a development fee on property within its boundaries which equals the water and sewer fee of the Town plus a facility fee (Development Fee) to the District. Pursuant to the Agreement, the District retains the Town's water and sewer fee. The District is also permitted to impose ad valorem property taxes, rates, fees, or other revenue as set forth in the Service Plan.

As of December 31, 2011, the District has conveyed all constructed assets to the Town.

Note 7: Tax, Spending and Debt Limitations

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

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

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 November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

CASTLE OAKS METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2011

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“the Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Assets includes an adjustments column. The adjustments have the following elements:

- 1) long-term liabilities such as bonds payable, accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.
- 2) bond issuance costs are reported as deferred charges and amortized over the term of the related debt in the government-wide financial statements.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report bond issuance costs as an expenditure, however, in the statement of activities, the bond issuance costs are amortized over the term of the related debt.
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities.

SUPPLEMENTAL INFORMATION

CASTLE OAKS METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2011

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 515,575	\$ 515,575	\$ 515,620	\$ 45
Specific ownership taxes	36,090	36,090	34,057	(2,033)
Interest income	<u>-</u>	<u>-</u>	<u>1,317</u>	<u>1,317</u>
Total Revenues	<u>551,665</u>	<u>551,665</u>	<u>550,994</u>	<u>(671)</u>
EXPENDITURES				
Bond interest	360,788	360,788	360,788	-
Bond principal	75,000	75,000	75,000	-
Paying agent fees	2,500	7,500	6,075	1,425
Treasurers' fees	<u>7,734</u>	<u>7,734</u>	<u>7,737</u>	<u>(3)</u>
Total Expenditures	<u>446,022</u>	<u>451,022</u>	<u>449,600</u>	<u>1,422</u>
CHANGE IN FUND BALANCE	105,643	100,643	101,394	751
FUND BALANCE - BEGINNING OF YEAR	<u>1,240,517</u>	<u>1,240,517</u>	<u>1,243,186</u>	<u>2,669</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,346,160</u>	<u>\$ 1,341,160</u>	<u>\$ 1,344,580</u>	<u>\$ 3,420</u>

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

CASTLE OAKS METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2011

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 2	\$ 2
Total Revenues	<u>-</u>	<u>2</u>	<u>2</u>
EXPENDITURES			
Construction	<u>14,826</u>	<u>-</u>	<u>14,826</u>
Total Expenditures	<u>14,826</u>	<u>-</u>	<u>14,826</u>
CHANGE IN FUND BALANCE	(14,826)	2	14,828
FUND BALANCE - BEGINNING OF YEAR	<u>14,826</u>	<u>14,827</u>	<u>1</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 14,829</u>	<u>\$ 14,829</u>

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

CASTLE OAKS METROPLITAN DISTRICT

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2011**

**\$16,000,000 General Obligation Limited Tax Rate Bonds Series 2005
Interest Payable June 1 and December 1
Principal Due December 1**

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 85,000	\$ 356,287	\$ 441,287
2013	90,000	351,188	441,188
2014	100,000	345,787	445,787
2015	110,000	339,788	449,788
2016	120,000	333,187	453,187
2017	130,000	325,988	455,988
2018	140,000	318,187	458,187
2019	150,000	309,788	459,788
2020	165,000	300,787	465,787
2021	175,000	290,888	465,888
2022	190,000	280,387	470,387
2023	205,000	268,988	473,988
2024	220,000	256,687	476,687
2025	230,000	243,488	473,488
2026	270,000	229,687	499,687
2027	285,000	106,575	391,575
2028	310,000	195,694	505,694
2029	330,000	176,706	506,706
2030	360,000	156,494	516,494
2031	380,000	134,444	514,444
2032	410,000	111,169	521,169
2033	435,000	86,056	521,056
2034	470,000	59,412	529,412
2035	<u>500,000</u>	<u>30,625</u>	<u>530,625</u>
	<u>\$ 5,860,000</u>	<u>\$ 5,608,287</u>	<u>\$ 11,468,287</u>

APPLICATION FOR EXEMPTION FROM AUDIT - SHORT FORM - FOR GOVERNMENTS WITH REVENUES AND EXPENDITURES OF \$100,000 OR LESS

Name of Government:	Castle Oaks Metropolitan District No 2	For the Fiscal Year Ended December 31, 2011 or fiscal year ended:
Address:	c/o White Bear & Ankele P.C. 2154 E. Commons Ave. Suite 2000 Centennial, CO 80122	
Contact Person:	George Rowley	
Telephone:	303-858-1800	
Email:	growley@wbapc.com	
Fax:	303-858-1801	

Return to: Office of the State Auditor
Local Government Audit Division
225 E. 16th Ave., Suite 555
Denver, CO 80203
Fax: 303-866-4062
Email: OSA.LG@state.co.us
Call (303) 866-3338 if you need help completing this form.

PLEASE READ THE ABOVE INSTRUCTIONS BEFORE SUBMITTING THE COMPLETED APPLICATION

Section 29-1-604, C.R.S., outlines the provisions for an exemption from audit. Generally, any local government for which neither revenues nor expenditures exceed \$500,000 in any fiscal year may qualify for an exemption. **If either revenues or expenditures are \$100,000 or greater, but not more than \$500,000, you may NOT use this form. Please use the LONG FORM of this application. If both revenues and expenditures are less than \$100,000 individually, use this short form application for exemption from audit.**

Please review ALL instructions prior to the completion of this form.

Instructions:

1. Prepare this form completely and accurately. Please note that there are 11 parts to this form, and all questions must be answered for the application to be considered complete.
2. File this form with the Office of the State Auditor within **3 months** after the end of the fiscal year. For years ended December 31, the form **must** be **received** by the Office of the State Auditor by **March 31**.
3. The form **must** be completed by an independent accountant (separate from the entity) with knowledge of governmental accounting.
4. The application must be personally reviewed and approved by a majority of the governing body as evidenced by one of the following methods:
 - a. Resolution of the governing body - application may be emailed, faxed, or mailed.
 - b. Original signatures - application must be mailed. Email or fax will NOT be accepted.
5. The **preparer must sign** the application that is submitted in order for it to be accepted.
6. Additional information may be attached to the exemption at the preparer's discretion.

CERTIFICATION OF PREPARER

I certify that I am skilled in governmental accounting and that the information in the application is complete and accurate, to the best of my knowledge.

Name:	John Simmons
Title:	CPA
Firm Name (if applicable):	Simmons & Wheeler, P.C.
Address:	8005 S. Chester Street, Suite 150 Centennial, CO 80112
Telephone Number:	303-689-0833
Date Prepared:	3-9-12

Preparer Signature (Required):  The application will be rejected if not signed by the preparer.

PART 2 - REVENUE		
REVENUE: All revenues for all funds must be reflected in this section, including proceeds from the sale of the government's land, building, and equipment, and proceeds from debt or lease transactions. Financial information will not include fund equity information.		
Line#	Description	(Omit cents)
2-1	Taxes: Property	\$ 17
2-2	Specific ownership	\$ 1
2-3	Sales and use	\$ -
2-4	Other (specify):	\$ -
2-5	Licenses and permits	\$ -
2-6	Intergovernmental: Grants	\$ -
2-7	Conservation Trust Funds (Lottery)	\$ -
2-8	Highway Users Tax Funds (HUTF)	\$ -
2-9	Other (specify):	\$ -
2-10	Charges for services	\$ -
2-11	Fines and forfeits	\$ -
2-12	Special assessments	\$ -
2-13	Investment income	\$ -
2-14	Charges for utility services	\$ -
2-15	Debt proceeds	\$ -
2-16	Lease proceeds	\$ -
2-17	Proceeds from sale of capital assets	\$ -
2-18	Fire and police pension	\$ -
2-19	Donations	\$ -
2-20	Other (specify):	\$ -
2-21	Developer advances	\$ 8,672
2-22		\$ -
2-23	TOTAL REVENUE all sources	\$ 8,690

PART 3 - EXPENDITURES		
EXPENDITURES: All expenditures for all funds must be reflected in this section, including the purchase of capital assets and principal and interest payments on long-term debt. Financial information will not include fund equity information.		
Line#	Description	(Omit cents)
3-1	Administrative	\$ -
3-2	Salaries	\$ -
3-3	Payroll taxes	\$ -
3-4	Contract services	\$ -
3-5	Employee benefits	\$ -
3-6	Insurance	\$ 1,531
3-7	Accounting and legal fees	\$ -
3-8	Repair and maintenance	\$ -
3-9	Supplies	\$ -
3-10	Utilities and telephone	\$ -
3-11	Fire/Police	\$ -
3-12	Streets and highways	\$ -
3-13	Public health	\$ -
3-14	Culture and recreation	\$ -
3-15	Utility operations	\$ -
3-16	Capital outlay	\$ -
3-17	Debt service principal	\$ -
3-18	Debt service interest	\$ -
3-19	Contribution to pension plan	\$ -
3-20	Contribution to Fire & Police Pension Assoc.	\$ -
3-21	Other (specify):	\$ -
3-22		\$ -
3-23		\$ -
3-24		\$ -
3-25	TOTAL EXPENDITURES all categories	\$ 1,531

Note: If Total Revenue (Line 2-23) or Total Expenditures (Line 3-25) are greater than \$100,000 - **STOP**. You may not use this form. Please use the "Application for Exemption from Audit - Long Form".

PART 4 - DEBT OUTSTANDING, ISSUED, AND RETIRED

Please answer the following questions by marking the appropriate boxes.					Yes	No
4-1	Does the entity have outstanding debt?				x	
If yes:	Is the debt repayment schedule attached? If no, please explain: To be paid with future revenues					x
	Please complete the following debt schedule, if applicable:	Outstanding at end of prior year	Issued during fiscal year	Retired during fiscal year	Outstanding at fiscal year-end	
	General obligation bonds	\$ -	\$ -	\$ -	align="right">\$ -	
	Revenue bonds	\$ -	\$ -	\$ -	align="right">\$ -	
	Notes/Loans	\$ 57,554	\$ 2,878	\$ -	align="right">\$ 60,432	
	Leases	\$ -	\$ -	\$ -	align="right">\$ -	
	Developer Advances	\$ 25,025	\$ 10,630	\$ -	align="right">\$ 35,655	
	Other (specify):	\$ -	\$ -	\$ -	align="right">\$ -	
Please answer the following questions by marking the appropriate boxes.					Yes	No
4-2	Does the entity have any authorized, but unissued, debt?				x	
If yes:	How much?	\$ 25,000,000				
	Date the debt was authorized:	11/1/2006				
4-3	Does the entity intend to issue debt within the next calendar year (2012)?					x
If yes:	How much?	\$ -				
Please answer the following questions by marking the appropriate boxes.					Yes	No
4-4	Does the entity have debt that has been refinanced that it is still responsible for?					x
If yes:	What is the amount outstanding?	\$ -				
Please answer the following questions by marking the appropriate boxes.					Yes	No
4-5	Does the entity have any lease agreements?					x
If yes:	What is being leased?					
	What is the original date of the lease?					
	Number of years of lease?					
	Is the lease subject to annual appropriation?					
	What are the annual lease payments?	\$ -				

PART 5 - CASH AND INVESTMENTS

Please provide the entity's cash deposit and investment balances.				Amount	Total
5-1	Checking accounts		\$ 224		
5-2	Savings accounts		\$ -		
5-3	Certificates of deposit		\$ -		
	Total Cash Deposits				\$ 224
	Investments (if investment is a mutual fund, please list underlying investments):				
5-4			\$ -		
5-5			\$ -		
5-6			\$ -		
5-7			\$ -		
	Total Investments				\$ -
	Total Cash and Investments				\$ 224
Please answer the following question by marking in the appropriate box				Yes	No
5-8	Are the entity's deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)? If no, please explain:			x	

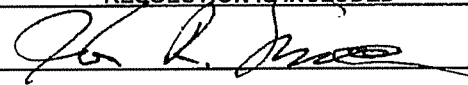
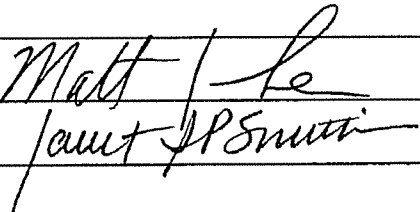
PART 6 - CAPITAL ASSETS					
Please answer the following questions by marking in the appropriate boxes.			Yes	No	
6-1	Does the entity have land, buildings, and/or equipment?			x	
If yes:	Has the entity performed an annual inventory of property and equipment (capital assets) in accordance with Section 29-1-506, C.R.S.,? If no, please explain:		N/A		
	Complete the following table:	Balance - Beginning of the year	Additions	Deletions	Year-End Balance
	Land	\$ -	\$ -	\$ -	\$ -
	Buildings	\$ -	\$ -	\$ -	\$ -
	Machinery and equipment	\$ -	\$ -	\$ -	\$ -
	Furniture and fixtures	\$ -	\$ -	\$ -	\$ -
	Infrastructure	\$ -	\$ -	\$ -	\$ -
	Other (explain):	\$ -	\$ -	\$ -	\$ -

PART 7 - PENSION INFORMATION				
Please answer the following questions by marking in the appropriate boxes.			Yes	No
7-1	Does the entity have an "old hire" firemen's pension plan?			x
7-2	Does the entity have a volunteer firemen's pension plan?			x
If yes:	Who administers the plan?			
	Indicate the contributions from:			
	Tax (property, SO, sales, etc.):	\$ -		
	State contribution amount:	\$ -		
	Other (gifts, donations, etc.):	\$ -		
	What is the monthly benefit paid for 20 years of service per retiree as of Jan 1?		\$ -	

PART 8 - BUDGET INFORMATION				
Please answer the following questions by marking in the appropriate boxes.			Yes	No
8-1	Did the entity file a 2011 budget with the Department of Local Affairs? If no, please explain:		x	
If yes:	Please indicate the amount appropriated for each fund for 2011:			
	Fund Name	Budgeted 2011 Expenditures		
	General Fund	\$ 12,000		
	Debt Fund	\$ 19		
	Capital Projects Fund	\$ 500,000		

PART 9 - TAX PAYER'S BILL OF RIGHTS (TABOR)			
Please answer the following question by marking in the appropriate box		Yes	No
9-1	Is the entity in compliance with all the provisions of TABOR [State Constitution, Article X, Section 20(5)]? If no, please explain:	x	
	Note: An election to exempt the government from the spending limitations of TABOR does not exempt the government from the 3 percent emergency reserve requirement. All governments should determine if they meet this requirement of TABOR.		

PART 10 - GENERAL INFORMATION			
Please answer the following questions by marking in the appropriate boxes.		Yes	No
10-1	Is the entity a newly formed governmental entity?		x
If yes:	Date of formation:		
10-2	Is the entity a metropolitan district?	x	
10-3	Please indicate what services the entity provides: Streets, water, traffic control, sewer, parks and recreation		
10-4	Does the entity have an agreement with another governmental to provide services?		x
If yes:	List the name of the other governmental entity and the services provided:		
10-5	Has the district filed a <i>Title 32, Article 1 Special District Notice of Inactive Status</i> during the year? [Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.]	Yes	No - N/A
			No
If yes:	Date Filed:		

PART 11 - GOVERNING BODY APPROVAL			
<p>We, the undersigned, certify that this Application for Exemption from Audit has been: Prepared consistently with Section 29-1-604, C.R.S., which states that a governmental agency with revenue and expenditures of \$100,000 or less must have an application prepared by a person skilled in governmental accounting; Completed to the best of our knowledge and is accurate and true; and Personally reviewed and approved by a MAJORITY of the governing body.</p>			
<p>Note: Please list all current members of the governing body. Original signatures must be provided for a majority of the governing body if the application is mailed, or a resolution may be provided in lieu of original signatures. (Please sign using blue ink.)</p>			
	Name (print names of all current members of the governing body)	Date Term Expires	Signatures of a majority of the governing body MUST BE ORIGINAL SIGNATURE IF NO RESOLUTION IS INCLUDED
1	Glen Smith	May-14	
2	Daniel Wilhelm	May-12	
3	Matt Janke	May-14	
4	Janet Smith	May-12	
5	Michael Woodley	May-12	
6			
7			

APPLICATION FOR EXEMPTION FROM AUDIT - SHORT FORM - FOR GOVERNMENTS WITH REVENUES AND EXPENDITURES OF \$100,000 OR LESS

Name of Government:	Castle Oaks Metropolitan District No 3	For the Fiscal Year Ended December 31, 2011 or fiscal year ended:
Address:	c/o White Bear & Ankele P.C. 2154 E. Commons Ave. Suite 2000 Centennial, CO 80122	
Contact Person:	George Rowley	
Telephone:	303-858-1800	
Email:	growley@wbapc.com	
Fax:	303-858-1801	

Return to: Office of the State Auditor
Local Government Audit Division
225 E. 16th Ave., Suite 555
Denver, CO 80203
Fax: 303-866-4062
Email: OSA.LG@state.co.us
Call (303) 866-3338 if you need help completing this form.

**PLEASE READ THE ABOVE INSTRUCTIONS
BEFORE SUBMITTING THE COMPLETED
APPLICATION**

Section 29-1-604, C.R.S., outlines the provisions for an exemption from audit. Generally, any local government for which neither revenues nor expenditures exceed \$500,000 in any fiscal year may qualify for an exemption. **If either revenues or expenditures are \$100,000 or greater, but not more than \$500,000, you may NOT use this form. Please use the LONG FORM of this application. If both revenues and expenditures are less than \$100,000 individually, use this short form application for exemption from audit.**

Please review ALL instructions prior to the completion of this form.

Instructions:

1. Prepare this form completely and accurately. Please note that there are 11 parts to this form, and all questions must be answered for the application to be considered complete.
2. File this form with the Office of the State Auditor within **3 months** after the end of the fiscal year. For years ended December 31, the form **must** be **received** by the Office of the State Auditor by **March 31**.
3. The form **must** be completed by an independent accountant (separate from the entity) with knowledge of governmental accounting.
4. The application must be personally reviewed and approved by a majority of the governing body as evidenced by one of the following methods:
 - a. Resolution of the governing body - application may be emailed, faxed, or mailed.
 - b. Original signatures - application must be mailed. Email or fax will NOT be accepted.
5. The **preparer must sign** the application that is submitted in order for it to be accepted.
6. Additional information may be attached to the exemption at the preparer's discretion.

CERTIFICATION OF PREPARER

I certify that I am skilled in governmental accounting and that the information in the application is complete and accurate, to the best of my knowledge.

Name:	John Simmons
Title:	CPA
Firm Name (if applicable):	Simmons & Wheeler, P.C.
Address:	8005 S. Chester Street, Suite 150 Centennial, CO 80112
Telephone Number:	303-689-0833
Date Prepared:	3-9-12

Preparer Signature (Required):  The application will be rejected if not signed by the preparer.

PART 2 - REVENUE		
REVENUE: All revenues for all funds must be reflected in this section, including proceeds from the sale of the government's land, building, and equipment, and proceeds from debt or lease transactions. Financial information will not include fund equity information.		
Line#	Description	(Omit cents)
2-1	Taxes: Property	\$ 65,022
2-2	Specific ownership	\$ 4,295
2-3	Sales and use	\$ -
2-4	Other (specify):	\$ -
2-5	Licenses and permits	\$ -
2-6	Intergovernmental: Grants	\$ -
2-7	Conservation Trust Funds (Lottery)	\$ -
2-8	Highway Users Tax Funds (HUTF)	\$ -
2-9	Other (specify):	\$ -
2-10	Charges for services	\$ -
2-11	Fines and forfeits	\$ -
2-12	Special assessments	\$ -
2-13	Investment income	\$ -
2-14	Charges for utility services	\$ -
2-15	Debt proceeds	\$ -
2-16	Lease proceeds	\$ -
2-17	Proceeds from sale of capital assets	\$ -
2-18	Fire and police pension	\$ -
2-19	Donations	\$ -
2-20	Other (specify):	\$ -
2-21	Developer advances	\$ 8,590
2-22		\$ -
2-23	TOTAL REVENUE all sources	\$ 77,907

PART 3 - EXPENDITURES		
EXPENDITURES: All expenditures for all funds must be reflected in this section, including the purchase of capital assets and principal and interest payments on long-term debt. Financial information will not include fund equity information.		
Line#	Description	(Omit cents)
3-1	Administrative	\$ 975
3-2	Salaries	\$ -
3-3	Payroll taxes	\$ -
3-4	Contract services	\$ -
3-5	Employee benefits	\$ -
3-6	Insurance	\$ 1,530
3-7	Accounting and legal fees	\$ -
3-8	Repair and maintenance	\$ -
3-9	Supplies	\$ -
3-10	Utilities and telephone	\$ -
3-11	Fire/Police	\$ -
3-12	Streets and highways	\$ -
3-13	Public health	\$ -
3-14	Culture and recreation	\$ -
3-15	Utility operations	\$ -
3-16	Capital outlay	\$ -
3-17	Debt service principal	\$ -
3-18	Debt service interest	\$ -
3-19	Contribution to pension plan	\$ -
3-20	Contribution to Fire & Police Pension Assoc.	\$ -
3-21	Other (specify):	\$ -
3-22	Repay note	\$ 14,283
3-23		\$ -
3-24		\$ -
3-25	TOTAL EXPENDITURES all categories	\$ 16,788

Note: If Total Revenue (Line 2-23) or Total Expenditures (Line 3-25) are greater than \$100,000 - **STOP**. You may not use this form. Please use the "Application for Exemption from Audit - Long Form".

PART 4 - DEBT OUTSTANDING, ISSUED, AND RETIRED

Please answer the following questions by marking the appropriate boxes.					Yes	No
4-1	Does the entity have outstanding debt?				x	
If yes:	Is the debt repayment schedule attached? If no, please explain: To be paid with future revenues					x
	Please complete the following debt schedule, if applicable:	Outstanding at end of prior year	Issued during fiscal year	Retired during fiscal year	Outstanding at fiscal year-end	
	General obligation bonds	\$ -	\$ -	\$ -	align="right">\$ -	
	Revenue bonds	\$ -	\$ -	\$ -	align="right">\$ -	
	Notes/Loans	\$ 69,232	\$ 3,462	\$ 14,283	align="right">\$ 58,411	
	Leases	\$ -	\$ -	\$ -	align="right">\$ -	
	Developer Advances	\$ 23,592	\$ 10,452	\$ -	align="right">\$ 34,044	
	Other (specify):	\$ -	\$ -	\$ -	align="right">\$ -	
Please answer the following questions by marking the appropriate boxes.					Yes	No
4-2	Does the entity have any authorized, but unissued, debt?				x	
If yes:	How much?	\$ 25,000,000				
	Date the debt was authorized:	11/1/2006				
4-3	Does the entity intend to issue debt within the next calendar year (2012)?					x
If yes:	How much?	\$ -				
Please answer the following questions by marking the appropriate boxes.					Yes	No
4-4	Does the entity have debt that has been refinanced that it is still responsible for?					x
If yes:	What is the amount outstanding?	\$ -				
Please answer the following questions by marking the appropriate boxes.					Yes	No
4-5	Does the entity have any lease agreements?					x
If yes:	What is being leased?					
	What is the original date of the lease?					
	Number of years of lease?					
	Is the lease subject to annual appropriation?					
	What are the annual lease payments?	\$ -				

PART 5 - CASH AND INVESTMENTS

Please provide the entity's cash deposit and investment balances.				Amount	Total
5-1	Checking accounts			\$ 68,079	
5-2	Savings accounts			\$ -	
5-3	Certificates of deposit			\$ -	
	Total Cash Deposits				\$ 68,079
	Investments (if investment is a mutual fund, please list underlying investments):				
5-4				\$ -	
5-5				\$ -	
5-6				\$ -	
5-7				\$ -	
	Total Investments				\$ -
	Total Cash and Investments				\$ 68,079
Please answer the following question by marking in the appropriate box				Yes	No
5-8	Are the entity's deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)? If no, please explain:			x	

PART 6 - CAPITAL ASSETS

Please answer the following questions by marking in the appropriate boxes.		Yes	No
6-1	Does the entity have land, buildings, and/or equipment?		x
If yes:	Has the entity performed an annual inventory of property and equipment (capital assets) in accordance with Section 29-1-506, C.R.S.,? If no, please explain:	N/A	
	Complete the following table:		
		Balance - Beginning of the year	Additions
			Deletions
			Year-End Balance
	Land	\$ -	\$ -
	Buildings	\$ -	\$ -
	Machinery and equipment	\$ -	\$ -
	Furniture and fixtures	\$ -	\$ -
	Infrastructure	\$ -	\$ -
	Other (explain):	\$ -	\$ -

PART 7 - PENSION INFORMATION

Please answer the following questions by marking in the appropriate boxes.		Yes	No
7-1	Does the entity have an "old hire" firemen's pension plan?		x
7-2	Does the entity have a volunteer firemen's pension plan?		x
If yes:	Who administers the plan?		
	Indicate the contributions from:		
	Tax (property, SO, sales, etc.):	\$ -	
	State contribution amount:	\$ -	
	Other (gifts, donations, etc.):	\$ -	
	What is the monthly benefit paid for 20 years of service per retiree as of Jan 1?	\$ -	

PART 8 - BUDGET INFORMATION

Please answer the following questions by marking in the appropriate boxes.		Yes	No
8-1	Did the entity file a 2011 budget with the Department of Local Affairs? If no, please explain:	x	
If yes:	Please indicate the amount appropriated for each fund for 2011:		
	Fund Name	Budgeted 2011 Expenditures	
	General Fund	\$ 12,000	
	Debt Fund	\$ 70,659	
	Capital Projects Fund	\$ 500,000	

PART 9 - TAX PAYER'S BILL OF RIGHTS (TABOR)

Please answer the following question by marking in the appropriate box		Yes	No
9-1	Is the entity in compliance with all the provisions of TABOR [State Constitution, Article X, Section 20(5)]? If no, please explain:	x	
	Note: An election to exempt the government from the spending limitations of TABOR does not exempt the government from the 3 percent emergency reserve requirement. All governments should determine if they meet this requirement of TABOR.		

PART 10 - GENERAL INFORMATION			
Please answer the following questions by marking in the appropriate boxes.		Yes	No
10-1	Is the entity a newly formed governmental entity?		X
If yes:	Date of formation:		
10-2	Is the entity a metropolitan district?	X	
10-3	Please indicate what services the entity provides: Streets, water, traffic control, sewer, parks and recreation		
10-4	Does the entity have an agreement with another governmental to provide services?		X
If yes:	List the name of the other governmental entity and the services provided:		
10-5	Has the district filed a <i>Title 32, Article 1 Special District Notice of Inactive Status</i> during the year? [Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.]	Yes	No - N/A
			No
If yes:	Date Filed:		

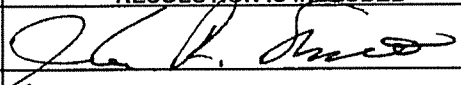
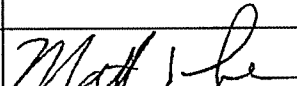
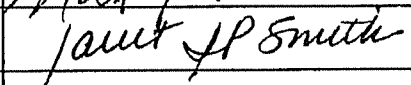
PART 11 - GOVERNING BODY APPROVAL			
<p>We, the undersigned, certify that this Application for Exemption from Audit has been: Prepared consistently with Section 29-1-604, C.R.S., which states that a governmental agency with revenue and expenditures of \$100,000 or less must have an application prepared by a person skilled in governmental accounting; Completed to the best of our knowledge and is accurate and true; and Personally reviewed and approved by a MAJORITY of the governing body.</p>			
<p>Note: Please list all current members of the governing body. Original signatures must be provided for a majority of the governing body if the application is mailed, or a resolution may be provided in lieu of original signatures. (Please sign using blue ink.)</p>			
	Name (print names of all current members of the governing body)	Date Term Expires	Signatures of a majority of the governing body MUST BE ORIGINAL SIGNATURE IF NO RESOLUTION IS INCLUDED
1	Glen Smith	May-14	
2	Daniel Wilhelm	May-12	
3	Matt Janke	May-14	
4	Janet Smith	May-12	
5	Michael Woodley	May-12	
6			
7			

EXHIBIT B
2011 Budgets

CASTLE OAKS METROPOLITAN DISTRICT
2011
BUDGET MESSAGE

Attached please find a copy of the adopted 2011 budget for the Castle Oaks Metropolitan District.

The Castle Oaks Metropolitan District has adopted three separate funds, a General Fund to provide for operating expenditures; a Debt Service Fund to provide for payments on the Series 2005 general obligation bonds; and a Capital Projects Fund to provide for the estimated infrastructure costs that are to be built for the benefit of the District.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary sources of revenues for the District in 2011 will be property taxes and developer advances. The District intends to impose a 50.000 mill levy on the property within the District for 2011, of which 4.000 mills will be dedicated to the General Fund and the balance of 46.000 mills will be allocated to the Debt Service Fund.

Castle Oaks Metropolitan District
Adopted Budget
General Fund
For the Year ended December 31, 2011

	<u>Actual</u> <u>2009</u>	<u>Adopted</u> <u>Budget</u> <u>2010</u>	<u>Actual</u> <u>9/30/2010</u>	<u>Estimate</u> <u>2010</u>	<u>Adopted</u> <u>Budget</u> <u>2011</u>
Beginning fund balance	\$ 40,283	\$ 48,068	\$ 54,980	\$ 54,980	\$ 35,509
Revenues:					
Property taxes	43,858	44,213	45,807	45,807	44,833
Ownership taxes	3,400	4,421	2,289	3,000	3,053
Developer advances	-	-	-	-	315,000
Miscellaneous income	43	-	-	-	17
Interest income	518	-	63	100	-
Total revenues	<u>47,819</u>	<u>48,634</u>	<u>48,159</u>	<u>48,907</u>	<u>362,903</u>
Total funds available	<u>88,102</u>	<u>96,702</u>	<u>103,139</u>	<u>103,887</u>	<u>398,412</u>
Expenditures:					
Legal	19,714	25,000	56,248	50,000	50,000
Accounting and audit	9,659	15,000	11,778	15,000	14,000
Insurance	3,064	3,500	2,190	2,190	2,500
Litigation expense	-	-	-	-	315,000
District management	-	-	-	-	-
Election expense	-	5,000	-	-	-
Utilities	-	-	-	-	-
Miscellaneous / IGA	20	1,000	60	500	847
Repairs and maintenance	-	-	-	-	-
Directors Fee	-	-	-	-	-
Treasurer's fees	665	663	688	688	671
Contingency	-	45,034	-	-	3,903
Transfer to Debt Service	-	-	-	-	-
Emergency reserve	-	1,505	-	-	11,491
Total expenditures	<u>33,122</u>	<u>96,702</u>	<u>70,964</u>	<u>68,378</u>	<u>398,412</u>
Ending fund balance	<u>\$ 54,980</u>	<u>\$ -</u>	<u>\$ 32,175</u>	<u>\$ 35,509</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 11,371.710</u>	<u>\$ 11,053.320</u>	<u>\$ 11,053.320</u>	<u>\$ 11,053.320</u>	<u>\$ 11,208.150</u>
Assessed value (000's) HB1006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mill levy	<u>4.000</u>	<u>4.000</u>	<u>4.000</u>	<u>4.000</u>	<u>4.000</u>

Castle Oaks Metropolitan District
Adopted Budget
Capital Project Fund
For the Year ended December 31, 2011

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>9/30/10</u>	Estimate <u>2010</u>	Adopted Budget <u>2011</u>
Beginning fund balance	\$ 9,948,847	\$ -	\$ 24,129	\$ 24,129	\$ 14,826
Revenues:					
Bond proceeds	-	-	-	-	-
Accrued interest	-	-	-	-	-
GOCO Grant	-	-	-	-	-
Developer advances	-	-	-	-	-
Developer contributions	-	-	-	-	-
Reimbursements	-	-	-	-	-
Interest income	46,616	-	6	6	-
Total revenues	<u>46,616</u>	<u>-</u>	<u>6</u>	<u>6</u>	<u>-</u>
Total funds available	<u>9,995,463</u>	<u>-</u>	<u>24,135</u>	<u>24,135</u>	<u>14,826</u>
Expenditures:					
Construction	-	-	-	-	14,826
Legal	4,928	-	9,309	9,309	-
Consultant	-	-	-	-	-
District Mgmt	-	-	-	-	-
Accounting	1,406	-	-	-	-
Issuance costs	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfer to Debt Service	9,965,000	-	-	-	-
Repay developer advances - principal	-	-	-	-	-
Repay developer advances - interest	-	-	-	-	-
Project management	-	-	-	-	-
Total expenditures	<u>9,971,334</u>	<u>-</u>	<u>9,309</u>	<u>9,309</u>	<u>14,826</u>
Ending fund balance	<u>\$ 24,129</u>	<u>\$ -</u>	<u>\$ 14,826</u>	<u>\$ 14,826</u>	<u>\$ -</u>

Castle Oaks Metropolitan District
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2011

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>09/30/10</u>	Estimate <u>2010</u>	Adopted Budget <u>2011</u>
Beginning fund balance	\$ 1,544,410	\$ 1,266,219	\$ 1,095,171	\$ 1,095,171	\$ 1,240,517
Revenues:					
Property taxes	504,367	508,453	526,786	526,786	515,575
HB 1006 taxes	-	-	-	-	-
Ownership taxes	39,104	45,761	26,325	35,000	36,090
Development fees	17,325	-	13,860	13,860	-
Transfer from Capital Project	9,965,000	-	-	-	-
Transfer from General Fund	-	-	-	-	-
Refunding Bonds	-	-	-	-	-
Interest income	13,193	-	2,660	3,000	-
Total revenues	<u>10,538,989</u>	<u>554,214</u>	<u>569,631</u>	<u>578,646</u>	<u>551,665</u>
Total funds available	<u>12,083,399</u>	<u>1,820,433</u>	<u>1,664,802</u>	<u>1,673,817</u>	<u>1,792,182</u>
Expenditures:					
Extraordinary redemption	9,965,000	-	-	-	-
Bond interest Series 2005	972,500	367,194	182,194	364,388	360,788
Bond principal Series 2005	40,000	125,000	-	60,000	75,000
Paying agent fees	3,075	2,500	75	1,000	2,500
Treasurer's fees	7,653	7,627	7,912	7,912	7,734
Miscellaneous	-	-	-	-	-
Total expenditures	<u>10,988,228</u>	<u>502,321</u>	<u>190,181</u>	<u>433,300</u>	<u>446,022</u>
Ending fund balance	<u>\$ 1,095,171</u>	<u>\$ 1,318,112</u>	<u>\$ 1,474,621</u>	<u>\$ 1,240,517</u>	<u>\$ 1,346,160</u>
Assessed value (000's)	<u>\$ 11,371.710</u>	<u>\$ 11,053.320</u>	<u>\$ 11,053.320</u>	<u>\$ 11,053.320</u>	<u>\$ 11,208.150</u>
Assessed value (000's) HB1006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mill levy	<u>46.000</u>	<u>46.000</u>	<u>46.000</u>	<u>46.000</u>	<u>46.000</u>
Total levy	<u>50.000</u>	<u>50.000</u>	<u>50.000</u>	<u>50.000</u>	<u>50.000</u>

CASTLE OAKS METROPOLITAN DISTRICT NO. 2
2011
BUDGET MESSAGE

Attached please find a copy of the adopted 2011 budget for the Castle Oaks Metropolitan District No. 2.

The Castle Oaks Metropolitan District No. 2 has adopted three separate funds, a General Fund to provide for operating expenditures; a Debt Service Fund to provide for payments on the outstanding promissory note; and a Capital Projects Fund to provide for the estimated infrastructure costs that are built by the District.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary source of revenues for the District in 2011 will be developer advances. The District intends to impose a 25.000 mill levy on the property within the District for 2011, which will be allocated to the Debt Service Fund.

Castle Oaks Metropolitan District No. 2
Adopted Budget
General Fund
For the Year ended December 31, 2011

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>6/30/2010</u>	Estimated <u>2010</u>	Adopted Budget <u>2011</u>
Beginning fund balance	\$ -	\$ -	\$ (2,053)	\$ (2,053)	\$ (7,035)
Revenues:					
Property taxes	-	-	-	-	-
HB 1006 taxes	-	-	-	-	-
Ownership taxes	-	-	-	-	-
Developer advances	1,398	20,000	-	-	19,035
Reimbursement	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>1,398</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>19,035</u>
Total funds available	<u>1,398</u>	<u>20,000</u>	<u>(2,053)</u>	<u>(2,053)</u>	<u>12,000</u>
Expenditures:					
Legal	1,919	10,000	3,538	3,538	10,000
Accounting and audit	-	1,000	-	-	-
Insurance	1,532	1,000	1,444	1,444	2,000
District management	-	3,000	-	-	-
Election expense	-	5,000	-	-	-
Miscellaneous	-	-	-	-	-
Treasurer's fees	-	-	-	-	-
Contingency	-	-	-	-	-
Emergency reserve	-	-	-	-	-
Total expenditures	<u>3,451</u>	<u>20,000</u>	<u>4,982</u>	<u>4,982</u>	<u>12,000</u>
Ending fund balance	<u>\$ (2,053)</u>	<u>\$ -</u>	<u>\$ (7,035)</u>	<u>\$ (7,035)</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 0.630</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>
Assessed value (000's) HB1006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mill levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Castle Oaks Metropolitan District No. 2
Adopted Budget
Capital Project Fund
For the Year ended December 31, 2011

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>06/30/10</u>	Estimated <u>2010</u>	Adopted Budget <u>2011</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues:					
Bond proceeds	-	-	-	-	-
Developer advances	-	500,000	-	-	500,000
Interest income	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	500,000	-	-	500,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total funds available	-	500,000	-	-	500,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:	-	-	-	-	-
Construction	-	500,000	-	-	500,000
Legal	-	-	-	-	-
District Mgmt	-	-	-	-	-
Accounting	-	-	-	-	-
Issuance costs	-	-	-	-	-
Formation costs	-	-	-	-	-
Transfer to Debt Service	-	-	-	-	-
Repay developer advances	-	-	-	-	-
Project management	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	500,000	-	-	500,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Castle Oaks Metropolitan District No. 2
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2011

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>06/30/10</u>	Estimated <u>2010</u>	Adopted Budget <u>2011</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues:					
Property taxes	-	-	-	-	17
Ownership taxes	-	-	-	-	2
Development fees	-	-	-	-	-
Transfer from Capital Project	-	-	-	-	-
Interest income	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	-	-	-	-	19
Total funds available	-	-	-	-	19
Expenditures:					
payment on promissory note	-	-	-	-	19
Paying agent fees	-	-	-	-	-
Treasurer's fees	-	-	-	-	-
Miscellaneous	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	-	-	-	-	19
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 0.630</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>
Assessed value (000's) HB1006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mill levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25.000</u>
Total levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25.000</u>

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
2011
BUDGET MESSAGE

Attached please find a copy of the adopted 2011 budget for the Castle Oaks Metropolitan District No. 3.

The Castle Oaks Metropolitan District No. 3 has adopted three separate funds, a General Fund to provide for operating expenditures; a Debt Service Fund to provide for payments on the outstanding promissory note; and a Capital Projects Fund to provide for the estimated infrastructure costs that are built by the District.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary source of revenues for the District in 2011 will be developer advances and property taxes. The District intends to impose a 44.000 mill levy on the property within the District for 2011, which will be allocated to the Debt Service Fund.

Castle Oaks Metropolitan District No. 3
Adopted Budget
General Fund
For the Year ended December 31, 2011

	<u>Actual</u> <u>2009</u>	<u>Adopted</u> <u>Budget</u> <u>2010</u>	<u>Actual</u> <u>6/30/2010</u>	<u>Estimated</u> <u>2010</u>	<u>Adopted</u> <u>Budget</u> <u>2011</u>
Beginning fund balance	\$ -	\$ -	\$ (2,048)	\$ (2,048)	\$ (7,079)
Revenues:					
Property taxes	-	-	-	-	-
HB 1006 taxes	-	-	-	-	-
Ownership taxes	-	-	-	-	-
Developer advances	1,272	20,000	-	-	19,079
Reimbursements	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>1,272</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>19,079</u>
Total funds available	<u>1,272</u>	<u>20,000</u>	<u>(2,048)</u>	<u>(2,048)</u>	<u>12,000</u>
Expenditures:					
Legal	1,789	10,000	3,587	3,587	10,000
Accounting and audit	-	1,000	-	-	-
Insurance	1,531	1,000	1,444	1,444	2,000
District management	-	3,000	-	-	-
Election expense	-	5,000	-	-	-
Miscellaneous	-	-	-	-	-
Treasurer's fees	-	-	-	-	-
Contingency	-	-	-	-	-
Emergency reserve	-	-	-	-	-
Total expenditures	<u>3,320</u>	<u>20,000</u>	<u>5,031</u>	<u>5,031</u>	<u>12,000</u>
Ending fund balance	<u>\$ (2,048)</u>	<u>\$ -</u>	<u>\$ (7,079)</u>	<u>\$ (7,079)</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 25.120</u>	<u>\$ 146.510</u>	<u>\$ 146.510</u>	<u>\$ 146.510</u>	<u>\$ 1,477.650</u>
Assessed value (000's) HB1006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mill levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Castle Oaks Metropolitan District No. 3
Adopted Budget
Capital Project Fund
For the Year ended December 31, 2011

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>06/30/10</u>	Estimated <u>2010</u>	Adopted Budget <u>2011</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues:					
Bond proceeds	-	-	-	-	-
Developer advances	-	500,000	-	-	500,000
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total funds available	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Expenditures:					
Construction	-	500,000	-	-	500,000
Legal	-	-	-	-	-
District Mgmt	-	-	-	-	-
Accounting	-	-	-	-	-
Issuance costs	-	-	-	-	-
Formation costs	-	-	-	-	-
Transfer to Debt Service	-	-	-	-	-
Repay developer advances	-	-	-	-	-
Project management	-	-	-	-	-
Total expenditures	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Castle Oaks Metropolitan District No. 3
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2011

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>06/30/10</u>	Estimated <u>2010</u>	Adopted Budget <u>2011</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues:					
Property taxes	-	-	-	-	65,017
HB 1006 taxes	-	-	-	-	-
Ownership taxes	-	-	-	-	5,642
Development fees	-	-	-	-	-
Transfer from Capital Project	-	-	-	-	-
Refunding Bonds	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,659</u>
Total funds available	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,659</u>
Expenditures:					
Payment on promissory note	-	-	-	-	69,695
Paying agent fees	-	-	-	-	-
Treasurer's fees	-	-	-	-	964
Miscellaneous	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,659</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 25.120</u>	<u>\$ 146.510</u>	<u>\$ 146.510</u>	<u>\$ 146.510</u>	<u>\$ 1,477.650</u>
Assessed value (000's) HB1006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mill levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44.000</u>
Total levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44.000</u>

EXHIBIT D

Certification

On behalf of the Boards of Directors of the Castle Oaks Metropolitan District and the Castle Oaks Metropolitan District Nos. 2 and 3, I hereby certify that no action, event or condition set forth in Section 11.02.060 of the Intergovernmental Affairs Chapter of the Town of Castle Rock Code has occurred in the report year.

EXHIBIT C
2012 Budgets

NOTICE AS TO PROPOSED 2012 BUDGET

1208.0075

AFFIDAVIT OF PUBLICATION

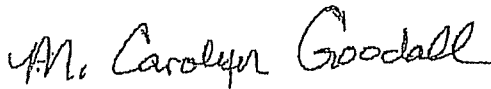
State of Colorado)
County of Douglas)ss

This Affidavit of Publication for the DOUGLAS COUNTY NEWS-PRESS, a weekly newspaper, printed and published for the County of Douglas, State of Colorado, hereby certifies that the attached legal notice was published in said newspaper once in each week, for 1 successive week(s), the last of which publication was made prior to the 7th day of October A.D., 2011, and that copies of each number of said paper in which said Public Notice was published were delivered by carriers or transmitted by mail to each of the subscribers of said paper, according to their accustomed mode of business in this office.

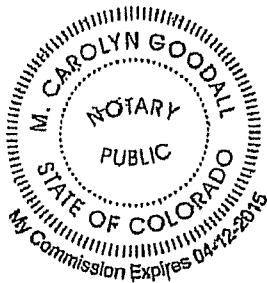


for the Douglas County News-Press
State of Colorado)
County of Douglas)ss

The above Affidavit and Certificate of Publication was subscribed and sworn to before me by the above-named JAMES A. DIAZ, publisher or JEREMY BANGS, Managing Editor of said newspaper, who is personally known to me to be the identical person in the above certificate on this 7th day of October A.D., 2011.



Notary Public, Notary Public, 9800 Mount Pyramid Court, Suite 100,
Englewood, Colorado 80112



Public Notice
NOTICE OF JOINT REGULAR MEETING
NOTICE AS TO PROPOSED 2012 BUDGETS AND NOTICE AS TO AMENDED 2011 BUDGETS
NOTICE IS HEREBY GIVEN that the Boards of Directors (the "Boards") of the CASTLE OAKS METROPOLITAN DISTRICT NOS. 1-3, collectively the "Districts", Town of Castle Rock, State of Colorado, will hold a joint regular meeting of the Districts at 9800 Mt. Pyramid Ct., Suite 340, Englewood, Colorado, on Thursday, October 13, 2011 at 9:00 A.M., for the purpose of conducting such business as may come before the Boards.
NOTICE IS FURTHER GIVEN that proposed budgets have been submitted to the Districts for the year of 2012. A copy of each of the proposed budgets is on file in the office of Simmons & Wheeler, P.C. 8005 S. Chester St. #150, Centennial, Colorado, where the same are open for public inspection.
NOTICE IS FURTHER GIVEN that amendments to the 2011 budgets have been submitted to the Districts. A copy of each of the proposed amended budgets is on file in the office of Simmons & Wheeler, P.C. 8005 S. Chester St. #150, Centennial, Colorado, where the same are open for public inspection. Any interested elector of the Districts may inspect the proposed budgets and amended budgets and file or register any objections at any time prior to final adoption of the budgets and amended budgets.
BY ORDER OF THE BOARDS OF DIRECTORS
CASTLE OAKS METROPOLITAN DISTRICT NOS. 1-3
Legal Notice No. 926050
First Publication: October 6, 2011
Last Publication: October 6, 2011
Publisher: Douglas County News-Press

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

RESOLUTION

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET AND APPROPRIATING SUMS OF MONEY TO EACH FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE DISTRICT FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2012 AND ENDING ON THE LAST DAY OF DECEMBER 2012.

WHEREAS, the Board has authorized its treasurer, accountant and/or legal counsel to prepare and submit a proposed budget to the Board in accordance with Colorado law; and

WHEREAS, the proposed budget has been submitted to the Board for its review and consideration; and

WHEREAS, upon due and proper notice, published in accordance with Colorado law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on Thursday, October 13, 2011, 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 § 29-1-101, *et seq.*, C.R.S., as applicable, and Article X, § 20 of the Colorado Constitution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

Section 1. Summary of 2012 Revenues and 2012 Expenditures. The estimated revenues and expenditures for each fund for fiscal year 2012, as more specifically set forth in the budget attached hereto, are accepted and approved.

Section 2. Adoption of Budget. The budget as submitted, amended, attached hereto and incorporated herein is approved and adopted as the budget of the District fiscal year 2012.

In the event of recertification of values by the County Assessor's Office after the date of adoption hereof, staff is hereby directed to modify and/or adjust the budget and certification to reflect the recertification without the need for additional Board authorization. Any such modification to the budget or certification as contemplated by this Section 2 shall be deemed ratified by the Board.

Section 3. 2011 Levy for General Operating Expenses. For the purpose of meeting all general operating expenses of the District during the 2012 budget year, there is hereby levied a tax of 40.00 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 4. 2011 Levy for Debt Service Obligations. For the purposes of meeting all debt service obligations of the District during the 2012 budget year, there is hereby levied a tax of mills 4.00 upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 5. 2011 Levy for Contractual Obligation Expenses. For the purposes of meeting all contractual obligations of the District during the 2012 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 6. Certification to County Commissioners. The Board directs its legal counsel, manager, accountant or other designee to certify to the Board of County Commissioners of Douglas County, Colorado the mill levies for the District as set forth herein. Such certification shall be in compliance with the requirements of Colorado law.

Section 7. Appropriations. The amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto and incorporated herein, are hereby appropriated for the purposes thereof and no other.

Section 8. Filing of Budget and Budget Message. The Board hereby directs its legal counsel, manager or other designee to file a certified copy of the adopted budget and budget message with the Division of Local Government by January 30 of the ensuing year.

Section 9. Budget Certification. The budget shall be certified by a member of the District, or a person appointed by the District, and made a part of the public records of the District.

The foregoing Resolution was seconded by Director Wilhelm.

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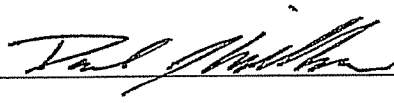
RESOLUTION APPROVED AND ADOPTED THIS 13th DAY OF OCTOBER 2011.

CASTLE OAKS METROPOLITAN DISTRICT NO. 3



Officer of District

ATTEST:



STATE OF COLORADO
COUNTY OF DOUGLAS
CASTLE OAKS METROPOLITAN DISTRICT **NO. 3**

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted at a District meeting held on Thursday, October 13, 2010, at 9800 Mt. Pyramid Ct. Suite 340, Englewood, Colorado, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 13th day of October 2011.

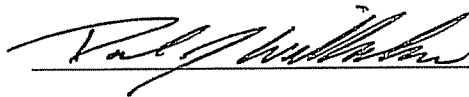


EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

CASTLE OAKS METROPOLITAN DISTRICT NO. 3
2012
BUDGET MESSAGE

Attached please find a copy of the adopted 2012 budget for the Castle Oaks Metropolitan District No. 3.

The Castle Oaks Metropolitan District No. 3 has adopted three separate funds, a General Fund to provide for operating expenditures and payments on the outstanding promissory note; a Debt Service Fund to provide for payments on the outstanding promissory note; and a Capital Projects Fund to provide for the estimated infrastructure costs that are built by the District.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary source of revenues for the District in 2012 will be developer advances and property taxes. The District intends to impose a 44.000 mill levy on the property within the District for 2012, of which 40.000 mills will be dedicated to the General Fund and the balance of 4.000 mills will be allocated to the Debt Service Fund.

Castle Oaks Metropolitan District No. 3
Adopted Budget
General Fund
For the Year ended December 31, 2012

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>9/30/2011</u>	Estimated <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ (2,048)	\$ (7,079)	\$ (7,079)	\$ (7,079)	\$ -
Revenues:					
Property taxes	-	-	-	-	65,089
HB 1006 taxes	-	-	-	-	-
Ownership taxes	-	-	-	-	6,509
Developer advances	-	19,079	8,590	8,609	-
Reimbursements	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>19,079</u>	<u>8,590</u>	<u>8,609</u>	<u>71,598</u>
Total funds available	<u>(2,048)</u>	<u>12,000</u>	<u>1,511</u>	<u>1,530</u>	<u>71,598</u>
Expenditures:					
Legal	3,587	10,000	-	-	-
Accounting and audit	-	-	-	-	-
Insurance	1,444	2,000	1,530	1,530	2,000
District management	-	-	-	-	-
Election expense	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Treasurer's fees	-	-	-	-	976
Payment on promissory note	-	-	-	-	50,000
Contingency	-	-	-	-	18,533
Emergency reserve	-	-	-	-	89
Total expenditures	<u>5,031</u>	<u>12,000</u>	<u>1,530</u>	<u>1,530</u>	<u>71,598</u>
Ending fund balance	<u>\$ (7,079)</u>	<u>\$ -</u>	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 148.510</u>	<u>\$ 1,477.650</u>	<u>\$ 1,477.650</u>	<u>\$ 1,477.650</u>	<u>\$ 1,627.230</u>
Mill levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40.000</u>

Castle Oaks Metropolitan District No. 3
Adopted Budget
Capital Project Fund
For the Year ended December 31, 2012

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>09/30/11</u>	Estimated <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues:					
Bond proceeds	-	-	-	-	-
Developer advances	-	500,000	-	-	500,000
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total funds available	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Expenditures:					
Construction	-	500,000	-	-	500,000
Legal	-	-	-	-	-
District Mgmt	-	-	-	-	-
Accounting	-	-	-	-	-
Issuance costs	-	-	-	-	-
Formation costs	-	-	-	-	-
Transfer to Debt Service	-	-	-	-	-
Repay developer advances	-	-	-	-	-
Project management	-	-	-	-	-
Total expenditures	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Castle Oaks Metropolitan District No. 3
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2012

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>09/30/11</u>	Estimated <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ 455
Revenues:					
Property taxes	-	65,017	65,020	65,020	6,509
HB 1006 taxes	-	-	-	-	-
Ownership taxes	-	5,642	3,250	5,642	-
Development fees	-	-	-	-	-
Transfer from Capital Project	-	-	-	-	-
Refunding Bonds	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>70,659</u>	<u>68,270</u>	<u>70,662</u>	<u>6,509</u>
Total funds available	<u>-</u>	<u>70,659</u>	<u>68,270</u>	<u>70,662</u>	<u>6,964</u>
Expenditures:					
Payment on promissory note	-	69,695	-	69,232	6,866
Paying agent fees	-	-	-	-	-
Treasurer's fees	-	964	975	975	98
Miscellaneous	-	-	-	-	-
Total expenditures	<u>-</u>	<u>70,659</u>	<u>975</u>	<u>70,207</u>	<u>6,964</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,295</u>	<u>\$ 455</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 148.510</u>	<u>\$ 1,477.650</u>	<u>\$ 1,477.650</u>	<u>\$ 1,477.650</u>	<u>\$ 1,627.230</u>
Assessed value (000's) HB1006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mill levy	<u>-</u>	<u>44.000</u>	<u>44.000</u>	<u>44.000</u>	<u>4.000</u>
Total levy	<u>-</u>	<u>44.000</u>	<u>44.000</u>	<u>44.000</u>	<u>44.000</u>

NOTICE AS TO PROPOSED 2012 BUDGET

AFFIDAVIT OF PUBLICATION

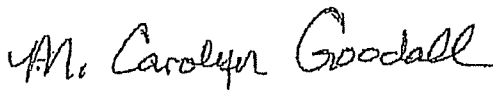
State of Colorado)
County of Douglas) ss

This Affidavit of Publication for the DOUGLAS COUNTY NEWS-PRESS, a weekly newspaper, printed and published for the County of Douglas, State of Colorado, hereby certifies that the attached legal notice was published in said newspaper once in each week, for 1 successive week(s), the last of which publication was made prior to the 7th day of October A.D., 2011, and that copies of each number of said paper in which said Public Notice was published were delivered by carriers or transmitted by mail to each of the subscribers of said paper, according to their accustomed mode of business in this office.

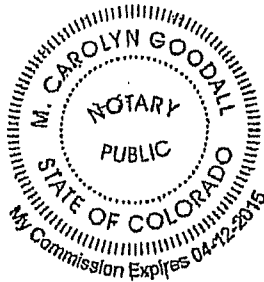


for the Douglas County News-Press
State of Colorado)
County of Douglas) ss

The above Affidavit and Certificate of Publication was subscribed and sworn to before me by the above-named JAMES A. DIAZ, publisher or JEREMY BANGS, Managing Editor of said newspaper, who is personally known to me to be the identical person in the above certificate on this 7th day of October A.D., 2011.



Notary Public, Notary Public, 9800 Mount Pyramid Court, Suite 100,
Englewood, Colorado 80112



Public Notice
NOTICE OF JOINT REGULAR MEETING
NOTICE AS TO PROPOSED 2012 BUDGETS AND NOTICE AS TO AMENDED 2011 BUDGETS
NOTICE IS HEREBY GIVEN that the Boards of Directors (the "Board") of the CASTLE OAKS METROPOLITAN DISTRICT NOS. 1-3, (collectively the "Districts"), Town of Castle Rock, State of Colorado, will hold a joint regular meeting of the Districts at 9800 Mt. Pyramid Ct., Suite 340, Englewood, Colorado, on Thursday, October 13, 2011 at 9:00 A.M. for the purpose of conducting such business as may come before the Boards.
NOTICE IS FURTHER GIVEN that proposed budgets have been submitted to the Districts for the year of 2012. A copy of each of the proposed budgets is on file in the office of Simmons & Wheeler, PC, 8005 S. Chester St., #150, Centennial, Colorado, where the same are open for public inspection.
NOTICE IS FURTHER GIVEN that amendments to the 2011 budgets have been submitted to the Districts. A copy of each of the proposed amended budgets is on file in the office of Simmons & Wheeler, PC, 8005 S. Chester St., #150, Centennial, Colorado, where the same are open for public inspection. Any interested elector of the Districts may inspect the proposed budgets and amended budgets and file or register any objections at any time prior to final adoption of the budgets and amended budgets.
BY ORDER OF THE BOARDS OF DIRECTORS:
CASTLE OAKS METROPOLITAN DISTRICT NOS. 1-3
Legal Notice No. 926060
First Publication: October 6, 2011
Last Publication: October 6, 2011
Publisher: Douglas County News-Press

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

RESOLUTION

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET AND APPROPRIATING SUMS OF MONEY TO EACH FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE DISTRICT FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2012 AND ENDING ON THE LAST DAY OF DECEMBER 2012.

WHEREAS, the Board has authorized its treasurer, accountant and/or legal counsel to prepare and submit a proposed budget to the Board in accordance with Colorado law; and

WHEREAS, the proposed budget has been submitted to the Board for its review and consideration; and

WHEREAS, upon due and proper notice, published in accordance with Colorado law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on Thursday, October 13, 2011, 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 § 29-1-101, *et seq.*, C.R.S., as applicable, and Article X, § 20 of the Colorado Constitution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

Section 1. Summary of 2012 Revenues and 2012 Expenditures. The estimated revenues and expenditures for each fund for fiscal year 2012, as more specifically set forth in the budget attached hereto, are accepted and approved.

Section 2. Adoption of Budget. The budget as submitted, amended, attached hereto and incorporated herein is approved and adopted as the budget of the District fiscal year 2012.

In the event of recertification of values by the County Assessor's Office after the date of adoption hereof, staff is hereby directed to modify and/or adjust the budget and certification to reflect the recertification without the need for additional Board authorization. Any such modification to the budget or certification as contemplated by this Section 2 shall be deemed ratified by the Board.

Section 3. 2011 Levy for General Operating Expenses. For the purpose of meeting all general operating expenses of the District during the 2012 budget year, there is hereby levied a tax of 0.00 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 4. 2011 Levy for Debt Service Obligations. For the purposes of meeting all debt service obligations of the District during the 2012 budget year, there is hereby levied a tax of mills 25.00 upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 5. 2011 Levy for Contractual Obligation Expenses. For the purposes of meeting all contractual obligations of the District during the 2012 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 6. Certification to County Commissioners. The Board directs its legal counsel, manager, accountant or other designee to certify to the Board of County Commissioners of Douglas County, Colorado the mill levies for the District as set forth herein. Such certification shall be in compliance with the requirements of Colorado law.

Section 7. Appropriations. The amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto and incorporated herein, are hereby appropriated for the purposes thereof and no other.

Section 8. Filing of Budget and Budget Message. The Board hereby directs its legal counsel, manager or other designee to file a certified copy of the adopted budget and budget message with the Division of Local Government by January 30 of the ensuing year.

Section 9. Budget Certification. The budget shall be certified by a member of the District, or a person appointed by the District, and made a part of the public records of the District.

The foregoing Resolution was seconded by Director Wilhelm.

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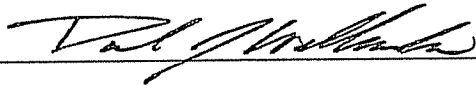
RESOLUTION APPROVED AND ADOPTED THIS 13th DAY OF OCTOBER 2011.

CASTLE OAKS METROPOLITAN DISTRICT NO 2 .



Officer of District

ATTEST:



STATE OF COLORADO
COUNTY OF DOUGLAS
CASTLE OAKS METROPOLITAN DISTRICT

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted at a District meeting held on Thursday, October 13, 2010, at 9800 Mt. Pyramid Ct. Suite 340, Englewood, Colorado, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 13th day of October 2011.

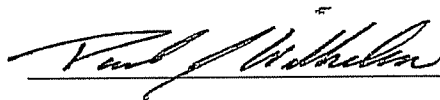


EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

CASTLE OAKS METROPOLITAN DISTRICT NO. 2
2012
BUDGET MESSAGE

Attached please find a copy of the adopted 2012 budget for the Castle Oaks Metropolitan District No. 2.

The Castle Oaks Metropolitan District No. 2 has adopted three separate funds, a General Fund to provide for operating expenditures; a Debt Service Fund to provide for payments on the outstanding promissory note; and a Capital Projects Fund to provide for the estimated infrastructure costs that are to be built for the benefit of the District.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary source of revenues for the District in 2012 will be developer advances. The District intends to impose a 25.000 mill levy on the property within the District for 2012, which will be allocated to the Debt Service Fund.

Castle Oaks Metropolitan District No. 2
Adopted Budget
General Fund
For the Year ended December 31, 2012

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>9/30/2011</u>	Estimated <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ (2,053)	\$ (7,035)	\$ (7,035)	\$ (7,035)	\$ 106
Revenues:					
Property taxes	-	-	-	-	-
HB 1006 taxes	-	-	-	-	-
Ownership taxes	-	-	-	-	-
Developer advances	-	19,035	8,672	8,672	7,000
Reimbursement	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>19,035</u>	<u>8,672</u>	<u>8,672</u>	<u>7,000</u>
Total funds available	<u>(2,053)</u>	<u>12,000</u>	<u>1,637</u>	<u>1,637</u>	<u>7,106</u>
Expenditures:					
Legal	3,538	10,000	-	-	-
Accounting and audit	-	-	-	-	-
Insurance	1,444	2,000	1,531	1,531	2,000
District management	-	-	-	-	-
Election expense	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Treasurer's fees	-	-	-	-	-
Contingency	-	-	-	-	5,046
Emergency reserve	-	-	-	-	60
Total expenditures	<u>4,982</u>	<u>12,000</u>	<u>1,531</u>	<u>1,531</u>	<u>7,106</u>
Ending fund balance	<u>\$ (7,035)</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>\$ 106</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 172.120</u>
Mill levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Castle Oaks Metropolitan District No. 2
Adopted Budget
Capital Project Fund
For the Year ended December 31, 2012

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>09/30/11</u>	Estimated <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues:					
Bond proceeds	-	-	-	-	-
Developer advances	-	500,000	-	-	500,000
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total funds available	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Expenditures:					
Construction	-	500,000	-	-	500,000
Legal	-	-	-	-	-
District Mgmt	-	-	-	-	-
Accounting	-	-	-	-	-
Issuance costs	-	-	-	-	-
Formation costs	-	-	-	-	-
Transfer to Debt Service	-	-	-	-	-
Repay developer advances	-	-	-	-	-
Project management	-	-	-	-	-
Total expenditures	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Castle Oaks Metropolitan District No. 2
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2012

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>09/30/11</u>	Estimated <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ 17
Revenues:					
Property taxes	-	17	17	17	4,303
Ownership taxes	-	2	-	-	430
Development fees	-	-	-	-	-
Transfer from Capital Project	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	<u>-</u>	<u>19</u>	<u>17</u>	<u>17</u>	<u>4,733</u>
Total funds available	<u>-</u>	<u>19</u>	<u>17</u>	<u>17</u>	<u>4,750</u>
Expenditures:					
Payment on promissory note	-	19	-	-	4,685
Paying agent fees	-	-	-	-	-
Treasurer's fees	-	-	-	-	65
Miscellaneous	-	-	-	-	-
Total expenditures	<u>-</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>4,750</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 17</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 0.680</u>	<u>\$ 172.120</u>
Mill levy	<u>-</u>	<u>25.000</u>	<u>25.000</u>	<u>25.000</u>	<u>25.000</u>
Total levy	<u>-</u>	<u>25.000</u>	<u>25.000</u>	<u>25.000</u>	<u>25.000</u>

NOTICE AS TO PROPOSED 2012 BUDGET

AFFIDAVIT OF PUBLICATION

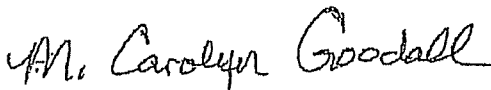
State of Colorado)
County of Douglas) ss

This Affidavit of Publication for the DOUGLAS COUNTY NEWS-PRESS, a weekly newspaper, printed and published for the County of Douglas, State of Colorado, hereby certifies that the attached legal notice was published in said newspaper once in each week, for 1 successive week(s), the last of which publication was made prior to the 7th day of October A.D., 2011, and that copies of each number of said paper in which said Public Notice was published were delivered by carriers or transmitted by mail to each of the subscribers of said paper, according to their accustomed mode of business in this office.

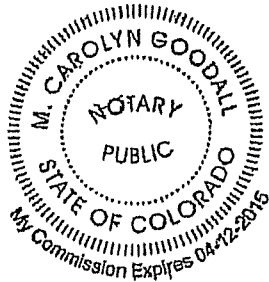


for the Douglas County News-Press
State of Colorado)
County of Douglas) ss

The above Affidavit and Certificate of Publication was subscribed and sworn to before me by the above-named JAMES A. DIAZ, publisher or JEREMY BANGS, Managing Editor of said newspaper, who is personally known to me to be the identical person in the above certificate on this 7th day of October A.D., 2011.



Notary Public, Notary Public, 9800 Mount Pyramid Court, Suite 100,
Englewood, Colorado 80112



Public Notice
NOTICE OF JOINT REGULAR MEETING
NOTICE AS TO PROPOSED 2012 BUDGETS AND NOTICE AS TO AMENDED 2011 BUDGETS
NOTICE IS HEREBY GIVEN that the Boards of Directors (the "Board") of the CASTLE OAKS METROPOLITAN DISTRICT NOS. 1-3 (collectively the "Districts"), Town of Castle Rock, State of Colorado, will hold a joint regular meeting of the Districts at 9800 Mt. Pyramid Ct., Suite 340, Englewood, Colorado, on Thursday, October 13, 2011 at 9:00 A.M. for the purpose of conducting such business as may come before the Boards.
NOTICE IS FURTHER GIVEN that proposed budgets have been submitted to the Districts for the year of 2012. A copy of each of the proposed budgets is on file in the office of Simmons & Wheeler, PC, 8005 S. Chester St. #160, Centennial, Colorado, where the same are open for public inspection.
NOTICE IS FURTHER GIVEN that amendments to the 2011 budgets have been submitted to the Districts. A copy of each of the proposed amended budgets is on file in the office of Simmons & Wheeler, PC, 8005 S. Chester St. #160, Centennial, Colorado, where the same are open for public inspection. Any interested elector of the Districts may inspect the proposed budgets and amended budgets and file or register any objections at any time prior to final adoption of the budgets and amended budgets.
BY ORDER OF THE BOARDS OF DIRECTORS:
CASTLE OAKS METROPOLITAN DISTRICT NOS. 1-3
Legal Notice No.: 926060
First Publication: October 6, 2011
Last Publication: October 6, 2011
Publisher: Douglas County News-Press

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

RESOLUTION

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET AND APPROPRIATING SUMS OF MONEY TO EACH FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE DISTRICT FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2012 AND ENDING ON THE LAST DAY OF DECEMBER 2012.

WHEREAS, the Board has authorized its treasurer, accountant and/or legal counsel to prepare and submit a proposed budget to the Board in accordance with Colorado law; and

WHEREAS, the proposed budget has been submitted to the Board for its review and consideration; and

WHEREAS, upon due and proper notice, published in accordance with Colorado law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on Thursday, October 13, 2011, 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 § 29-1-101, *et seq.*, C.R.S., as applicable, and Article X, § 20 of the Colorado Constitution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

Section 1. Summary of 2012 Revenues and 2012 Expenditures. The estimated revenues and expenditures for each fund for fiscal year 2012, as more specifically set forth in the budget attached hereto, are accepted and approved.

Section 2. Adoption of Budget. The budget as submitted, amended, attached hereto and incorporated herein is approved and adopted as the budget of the District fiscal year 2012. In the event of recertification of values by the County Assessor's Office after the date of

adoption hereof, staff is hereby directed to modify and/or adjust the budget and certification to reflect the recertification without the need for additional Board authorization. Any such modification to the budget or certification as contemplated by this Section 2 shall be deemed ratified by the Board.

Section 3. 2011 Levy for General Operating Expenses. For the purpose of meeting all general operating expenses of the District during the 2012 budget year, there is hereby levied a tax of 4.00 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 4. 2011 Levy for Debt Service Obligations. For the purposes of meeting all debt service obligations of the District during the 2012 budget year, there is hereby levied a tax of mills 46.00 upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 5. 2011 Levy for Contractual Obligation Expenses. For the purposes of meeting all contractual obligations of the District during the 2012 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 6. Certification to County Commissioners. The Board directs its legal counsel, manager, accountant or other designee to certify to the Board of County Commissioners of Douglas County, Colorado the mill levies for the District as set forth herein. Such certification shall be in compliance with the requirements of Colorado law.

Section 7. Appropriations. The amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto and incorporated herein, are hereby appropriated for the purposes thereof and no other.

Section 8. Filing of Budget and Budget Message. The Board hereby directs its legal counsel, manager or other designee to file a certified copy of the adopted budget and budget message with the Division of Local Government by January 30 of the ensuing year.

Section 9. Budget Certification. The budget shall be certified by a member of the District, or a person appointed by the District, and made a part of the public records of the District.

The foregoing Resolution was seconded by Director Wilhelm.

[Remainder of page intentionally left blank].


RESOLUTION APPROVED AND ADOPTED THIS 13th DAY OF OCTOBER 2011.

CASTLE OAKS METROPOLITAN DISTRICT



Officer of District

ATTEST:



STATE OF COLORADO
COUNTY OF DOUGLAS
CASTLE OAKS METROPOLITAN DISTRICT

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted at a District meeting held on Thursday, October 13, 2010, at 9800 Mt. Pyramid Ct. Suite 340, Englewood, Colorado, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 13th day of October 2011.

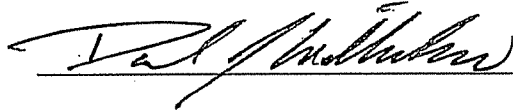


EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

**CASTLE OAKS METROPOLITAN DISTRICT
2012
BUDGET MESSAGE**

Attached please find a copy of the adopted 2012 budget for the Castle Oaks Metropolitan District.

The Castle Oaks Metropolitan District has adopted three separate funds, a General Fund to provide for operating expenditures; a Debt Service Fund to provide for payments on the Series 2005 general obligation bonds; and a Capital Projects Fund to provide for the estimated infrastructure costs that are to be built for the benefit of the District.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary sources of revenues for the District in 2012 will be property taxes and specific ownership taxes. The District intends to impose a 50.000 mill levy on the property within the District for 2012, of which 4.000 mills will be dedicated to the General Fund and the balance of 46.000 mills will be allocated to the Debt Service Fund.

**Castle Oaks Metropolitan District
Adopted Budget
General Fund
For the Year ended December 31, 2012**

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>9/30/2011</u>	Estimate <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ 54,980	\$ 35,509	\$ -	\$ -	\$ 26,899
Revenues:					
Property taxes	45,970	44,833	44,709	44,833	35,344
Ownership taxes	3,016	3,053	2,241	3,000	2,474
Developer advances	3,938	315,000	(3,938)	1,000	283
Developer contributions	-	-	54,244	56,670	-
Miscellaneous income	-	17	65	-	-
Interest income	72	-	1	100	-
Total revenues	<u>52,996</u>	<u>362,903</u>	<u>97,322</u>	<u>105,603</u>	<u>38,101</u>
Total funds available	<u>107,976</u>	<u>398,412</u>	<u>97,322</u>	<u>105,603</u>	<u>65,000</u>
Expenditures:					
Legal	90,629	50,000	29,799	40,000	40,000
Accounting and audit	14,386	14,000	12,487	15,000	14,000
Insurance	2,190	2,500	2,533	2,533	2,500
Litigation expense	-	315,000	17,574	20,000	-
District management	-	-	-	-	-
Election expense	-	-	-	-	-
Utilities	-	-	-	-	-
Miscellaneous / IGA	80	847	30	500	847
Repairs and maintenance	-	-	-	-	-
Directors Fee	-	-	-	-	-
Treasurer's fees	691	671	671	671	530
Contingency	-	3,903	-	-	5,387
Transfer to Debt Service	-	-	-	-	-
Emergency reserve	-	11,491	-	-	1,736
Total expenditures	<u>107,976</u>	<u>398,412</u>	<u>63,094</u>	<u>78,704</u>	<u>65,000</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,228</u>	<u>\$ 26,899</u>	<u>\$ -</u>
Assessed value (000's)	<u>\$ 11,053.320</u>	<u>\$ 11,208.150</u>	<u>\$ 11,208.150</u>	<u>\$ 11,208.150</u>	<u>\$ 8,836.030</u>
Mill levy	<u>4.000</u>	<u>4.000</u>	<u>4.000</u>	<u>4.000</u>	<u>4.000</u>

**Castle Oaks Metropolitan District
Adopted Budget
Capital Project Fund
For the Year ended December 31, 2012**

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>6/30/2011</u>	Estimate <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ 24,129	\$ 14,826	\$ 14,827	\$ 14,827	\$ 14,829
Revenues:					
Bond proceeds	-	-	-	-	-
Accrued interest	-	-	-	-	-
GOCO Grant	-	-	-	-	-
Developer advances	-	-	-	-	-
Developer contributions	-	-	-	-	-
Reimbursements	-	-	-	-	-
Interest income	7	-	2	2	-
	<u>7</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Total revenues	7	-	2	2	-
Total funds available	<u>24,136</u>	<u>14,826</u>	<u>14,829</u>	<u>14,829</u>	<u>14,829</u>
Expenditures:					
Construction	-	14,826	-	-	14,829
Legal	9,309	-	-	-	-
Consultant	-	-	-	-	-
District Mgmt	-	-	-	-	-
Accounting	-	-	-	-	-
Issuance costs	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfer to Debt Service	-	-	-	-	-
Repay developer advances - principal	-	-	-	-	-
Repay developer advances - interest	-	-	-	-	-
Project management	-	-	-	-	-
	<u>9,309</u>	<u>14,826</u>	<u>-</u>	<u>-</u>	<u>14,829</u>
Total expenditures	9,309	14,826	-	-	14,829
Ending fund balance	<u>\$ 14,827</u>	<u>\$ -</u>	<u>\$ 14,829</u>	<u>\$ 14,829</u>	<u>\$ -</u>

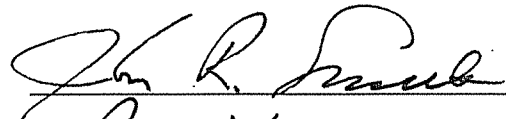
**Castle Oaks Metropolitan District
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2012**

	Actual <u>2010</u>	Adopted Budget <u>2011</u>	Actual <u>6/30/2011</u>	Estimate <u>2011</u>	Adopted Budget <u>2012</u>
Beginning fund balance	\$ 1,095,171	\$ 1,240,517	\$ 1,243,186	\$ 1,243,186	\$ 1,345,439
Revenues:					
Property taxes	528,650	515,575	514,157	515,575	406,457
HB 1006 taxes	-	-	-	-	-
Ownership taxes	34,681	36,090	25,775	35,000	28,452
Development fees	13,860	-	-	-	-
Transfer from Capital Project	-	-	-	-	-
Transfer from General Fund	-	-	-	-	-
Refunding Bonds	-	-	-	-	-
Interest income	3,227	-	1,003	1,200	598
Total revenues	<u>580,418</u>	<u>551,665</u>	<u>540,935</u>	<u>551,775</u>	<u>435,507</u>
Total funds available	<u>1,675,589</u>	<u>1,792,182</u>	<u>1,784,121</u>	<u>1,794,961</u>	<u>1,780,946</u>
Expenditures:					
Extraordinary redemption	-	-	-	-	-
Bond interest Series 2005	364,387	360,788	180,394	360,788	356,288
Bond principal Series 2005	60,000	75,000	-	75,000	85,000
Paying agent fees	75	2,500	4,575	6,000	6,000
Treasurer's fees	7,941	7,734	7,714	7,734	6,097
Miscellaneous	-	-	-	-	8
Total expenditures	<u>432,403</u>	<u>446,022</u>	<u>192,683</u>	<u>449,522</u>	<u>453,393</u>
Ending fund balance	<u>\$ 1,243,186</u>	<u>\$ 1,346,160</u>	<u>\$ 1,591,438</u>	<u>\$ 1,345,439</u>	<u>\$ 1,327,553</u>
Assessed value (000's)	<u>\$ 11,053.320</u>	<u>\$ 11,208.150</u>	<u>\$ 11,208.150</u>	<u>\$ 11,208.150</u>	<u>\$ 8,836.030</u>
Mill levy	<u>46.000</u>	<u>46.000</u>	<u>46.000</u>	<u>46.000</u>	<u>46.000</u>
Total levy	<u>50.000</u>	<u>50.000</u>	<u>50.000</u>	<u>50.000</u>	<u>50.000</u>

EXHIBIT D

Certification

On behalf of the Boards of Directors of the Castle Oaks Metropolitan District and the Castle Oaks Metropolitan District Nos. 2 and 3, I hereby certify that no action, event or condition set forth in Section 11.02.060 of the Intergovernmental Affairs Chapter of the Town of Castle Rock Code has occurred in the report year.



President