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PROFESSIONAL CORPORATION  
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September 4, 2012

Division of Local Government  
1313 Sherman Street  
Room 521  
Denver, Colorado 80203

Douglas County Clerk and Recorder  
301 Wilcox Street  
Castle Rock, CO 80104-1360

Colorado State Auditor  
Legislative Services Building  
200 East 14th Avenue  
Denver, CO 80203

**Re: Maher Ranch Metropolitan District No. 4  
2011 Annual Report**

To Whom It May Concern:

Enclosed for your information and records is a copy of the 2011 Annual Report for Maher Ranch Metropolitan District No. 4. The report is being filed with the above listed offices pursuant to Section 32-1-207(3)(c) and (d), C.R.S.

Please contact us should you have any questions or require further information.

Respectfully,

WHITE, BEAR AND ANKELE  
Professional Corporation



K. Sean Allen

KSA  
Enclosure

## **MAHER RANCH METROPOLITAN DISTRICT NO. 4**

### **2011 ANNUAL REPORT**

**TO**

### **THE TOWN OF CASTLE ROCK**

Pursuant to its Service Plan and by Section 11.02.040 of the Castle Rock Municipal Code, the Maher Ranch Metropolitan District No. 4 (the "District") is required to provide an annual report to the Town of Castle Rock with regard to the following matters:

- A. A narrative summary of the District's progress in implementing the service plan for the report year.
- B. Audited financial statements with a statement of financial condition (i.e. balance sheet) as of December 31 and statement of operations (i.e. revenues and expenditures).
- C. A summary of the capital expenditures incurred by the District in development of public facilities in the report year, and a summary of the capital improvements or projects proposed to be undertaken in the next five (5) years.
- D. A summary of the financial obligations of the District at the end of the report year including amount of indebtedness, assessed valuations and current mill levy imposed for debt service.
- E. The District's budget for the calendar year in which the annual report is submitted
- F. A summary of any residential and commercial development that occurred within the District for the report year.
- G. A summary of all fees, charges and assessments imposed by the District for the report year.
- H. Certification of the Board of Directors that no action, event or condition enumerated in Section 11.02.060 has occurred in the report year.
- I. The name of each member of the Board of Directors and general counsel, plus the date, place and time of the board regular meeting.

The report is to include information concerning these matters that occurred during the prior fiscal year. For the year ending December 31, 2011, the District makes the following report:

- A. A summary of the District's progress in implementing the service plan for the report year.

Public improvements for the development within the District have been completed. The District is in a bonded debt repayment mode.

- B. Audit Report.

The District's 2011 audit is attached.

- C. A summary of the capital expenditures incurred by the District in development of public facilities in the report year, and a summary of the capital improvements or projects proposed to be undertaken in the next five (5) years.

Capital expenditures relative the development of public facilities has been completed. The District's capital expenditures, if any, would likely be for landscaping in its discretion.

- D. A summary of the financial obligations of the District at the end of the report year including amount of indebtedness, assessed valuations and current mill levy imposed for debt service.

The amount of District indebtedness on December 31, 2011 was \$20,610,000 which is the outstanding principal amount remaining on the District's Series 2007 limited tax general obligation bonds.

The District's 2011 assessed value: \$21,909,260

The District's 2010 debt service mill levy: 54.000 for collection in 2012.

- E. District budget for year in which this report is submitted (2011).

The District's 2011 budget is attached.

- F. Summary of residential development.

Residential construction is nearing full build out.

- G. Summary of all fees, charges and assessments imposed by the Districts during 2011.

The District imposes a \$3,000 per residential lot facility fee due at building permit. Residents do not pay this one time fee as the building permit due date results in the home builder paying the fees.

H. Board of Directors certification.

Attached as Exhibit B is the Board of Directors certification that no action, event or condition enumerated in Section 11.02.060 occurred in 2011.

I. The name of each member of the Board of Directors and general counsel, plus the date, place and time of the regular meeting.

At the time of submission of this annual report:

Lenn M. Haffeman (land owner/original developer)  
Julie Cambier (resident of the Maher Ranch development/Sapphire Pointe)  
William Lueschen (resident of the Maher Ranch development/Sapphire Pointe)  
Rex Williams (resident of the Maher Ranch development/Sapphire Pointe)  
Regina Conner (resident of the Maher Ranch development/Sapphire Pointe)

General Counsel: White, Bear and Ankele, Professional Corporation, 2154 E. Commons Avenue, Suite 2000, Centennial, CO 80122, (303) 858-1800.

Regular meetings are scheduled for the first Wednesday of March and November at 6:30 p.m., Sapphire Pointe Community Center, 7550 Soapstone Way, Castle Rock, Colorado.

**EXHIBIT A**

**MAHER RANCH METROPOLITAN DISTRICT NO. 4  
2011 BUDGET**

**Maher Ranch Metropolitan District No. 4**  
**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>	Estimate <u>2010</u>	Adopted Budget <u>2011</u>
Beginning fund balance	\$ 101,874	\$ 58,361	\$ 69,334	\$ 69,334	\$ 161,708
Revenues:					
Property taxes	134,634	135,923	131,740	135,000	136,732
Specific Ownership taxes	10,153	10,454	4,666	9,000	9,357
Escrow reimbursement	-	-	-	92,000	-
Interest income	490	50	-	-	50
Total revenues	<u>145,277</u>	<u>146,427</u>	<u>136,406</u>	<u>236,000</u>	<u>146,139</u>
Total funds available	<u>247,151</u>	<u>204,788</u>	<u>205,740</u>	<u>305,334</u>	<u>307,847</u>
Expenditures:					
Legal	18,746	15,000	17,957	25,000	20,000
Accounting	8,493	10,000	3,029	7,500	10,000
Audit	-	4,500	-	4,500	4,500
Insurance	5,844	5,000	4,715	4,715	5,000
Election	-	-	311	311	-
Maintenance	4,084	25,000	-	5,000	25,000
Directors' fees	800	1,600	300	1,000	1,600
Miscellaneous	-	1,000	41	100	1,000
Treasury Fees	2,037	2,039	1,977	2,000	2,051
Utilities	1,174	1,000	530	1,000	1,000
Landscape	-	25,000	-	-	25,000
Sapphire Point Landscape	136,639	100,000	18,750	92,500	100,000
Contingency	-	8,945	-	-	106,841
Emergency reserve (3%)	-	5,704	-	-	5,855
Total expenditures	<u>177,817</u>	<u>204,788</u>	<u>47,610</u>	<u>143,626</u>	<u>307,847</u>
Ending fund balance	<u>\$ 69,334</u>	<u>\$ -</u>	<u>\$ 158,130</u>	<u>\$ 161,708</u>	<u>\$ -</u>
Assessed valuation		<u>\$ 27,184,560</u>			<u>\$ 27,346,460</u>
Mill Levy		<u>5.000</u>			<u>5.000</u>

**Maher Ranch Metropolitan District No. 4**  
**Adopted Budget**  
**Debt Service Fund**  
**For the Year ended December 31, 2011**

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>6/30/2010</u>	Estimate <u>2010</u>	Adopted Budget <u>2011</u>
<b>Beginning fund balance</b>	<u>\$ 2,167,042</u>	<u>\$ 2,117,426</u>	<u>\$ 2,118,515</u>	<u>\$ 2,118,515</u>	<u>\$ 2,054,827</u>
<b>Revenues:</b>					
Property taxes	1,083,316	1,093,689	1,060,031	1,090,000	1,100,203
Specific ownership taxes	81,692	87,495	37,544	75,000	77,014
Facility fees	-	-	3,000	3,000	-
Interest income	15,534	10,000	2,341	4,500	10,000
Transfer from Capital fund	-	-	-	-	-
<b>Total revenues</b>	<u>1,180,542</u>	<u>1,191,184</u>	<u>1,102,916</u>	<u>1,172,500</u>	<u>1,187,217</u>
<b>Total funds available</b>	<u>3,347,584</u>	<u>3,308,610</u>	<u>3,221,431</u>	<u>3,291,015</u>	<u>3,242,044</u>
<b>Expenditures:</b>					
Bond Interest Series 2007	1,080,525	1,074,838	537,419	1,074,838	1,068,712
Bond Principal Series 2007	130,000	140,000	-	140,000	205,000
Trustee fees	2,150	5,000	-	5,000	5,000
Miscellaneous	-	1,500	-	-	1,500
Treasury fees	16,394	27,342	15,910	16,350	16,503
<b>Total expenditures</b>	<u>1,229,069</u>	<u>1,248,680</u>	<u>553,329</u>	<u>1,236,188</u>	<u>1,296,715</u>
<b>Ending fund balance</b>	<u>\$ 2,118,515</u>	<u>\$ 2,059,930</u>	<u>\$ 2,668,102</u>	<u>\$ 2,054,827</u>	<u>\$ 1,945,329</u>
<b>Assessed valuation</b>		<u>\$ 27,184,560</u>			<u>\$ 27,346,460</u>
<b>Mill Levy</b>		<u>40.232</u>			<u>40.232</u>
<b>Total Mill Levy</b>		<u>45.232</u>			<u>45.232</u>

**EXHIBIT A-1**  
**2011 Audit Report**



Maher Ranch Metropolitan District No. 4

Financial Statements

Year Ended December 31, 2011

with

Independent Auditor's Report

## C O N T E N T S

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# L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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SUITE 204  
LAKEWOOD, COLORADO 80214  
TELEPHONE (303) 232 2866  
FAX (303) 232-9452  
lpcca@qwestoffice.net

## Independent Auditor's Report

Board of Directors  
Maher Ranch Metropolitan District No. 4

We have audited the accompanying financial statements of the governmental activities and each major fund of Maher Ranch Metropolitan District No. 4 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. 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 the District, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinions.

Management has omitted the 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 opinions on the basic financial statements are not affected by this missing information.

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 the Maher Ranch Metropolitan District No. 4 as of December 31, 2011, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
June 12, 2012

**Maher Ranch Metropolitan District #4**

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>					
Cash and investments	\$ 267,113	\$ -	\$ 267,113	\$ -	\$ 267,113
Cash and investments - restricted	-	1,952,724	1,952,724	-	1,952,724
Property taxes receivable - current	723	5,814	6,537	-	6,537
Property taxes receivable - deferred	43,819	1,139,281	1,183,100	-	1,183,100
Bond cost of issuance, net of amortization	-	-	-	805,720	805,720
<b>Total Assets</b>	<b><u>\$ 311,655</u></b>	<b><u>\$ 3,097,819</u></b>	<b><u>\$ 3,409,474</u></b>	<b><u>805,720</u></b>	<b><u>4,215,194</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 8,209	\$ -	\$ 8,209	-	8,209
Deferred property taxes	43,819	1,139,281	1,183,100	-	1,183,100
Accrued interest on bonds	-	-	-	58,312	58,312
Long-term liabilities					
Due within one year	-	-	-	275,000	275,000
Due in more than one year	-	-	-	17,783,183	17,783,183
<b>Total Liabilities</b>	<b><u>52,028</u></b>	<b><u>1,139,281</u></b>	<b><u>1,191,309</u></b>	<b><u>18,116,495</u></b>	<b><u>19,307,804</u></b>
<b>FUND BALANCE/NET ASSETS</b>					
Restricted:					
Emergencies	2,648	-	2,648	(2,648)	-
Debt service	-	1,958,538	1,958,538	(1,958,538)	-
Assigned:					
Subsequent years' expenditures	41,321	-	41,321	(41,321)	-
Unassigned	<u>215,658</u>	<u>-</u>	<u>215,658</u>	<u>(215,658)</u>	<u>-</u>
<b>Total Fund Balances</b>	<b><u>259,627</u></b>	<b><u>1,958,538</u></b>	<b><u>2,218,165</u></b>	<b><u>(2,218,165)</u></b>	<b><u>-</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 311,655</u></b>	<b><u>\$ 3,097,819</u></b>	<b><u>\$ 3,409,474</u></b>		
<b>Restricted for:</b>					
Emergencies				2,648	2,648
Debt service				1,958,538	1,958,538
Unrestricted:				<u>(17,053,796)</u>	<u>(17,053,796)</u>
<b>Total Net Assets (Deficit)</b>				<b><u>\$ (15,092,610)</u></b>	<b><u>\$ (15,092,610)</u></b>

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

## Maher Ranch Metropolitan District #4

### 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>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
Accounting and audit	\$ 8,265	\$ -	\$ 8,265	\$ -	\$ 8,265
Insurance	5,430	-	5,430	-	5,430
Legal	37,735	-	37,735	-	37,735
Miscellaneous expenses	495	-	495	-	495
Director's Fees	600	-	600	-	600
Treasurer's fees	2,054	16,526	18,580	-	18,580
Utilities	1,129	-	1,129	-	1,129
Bond principal	-	205,000	205,000	(205,000)	-
Bond interest expense	-	1,068,712	1,068,712	101,326	1,170,038
Trustee fees	-	3,675	3,675	-	3,675
Amortize bond cost of issuance	-	-	-	32,229	32,229
Total Expenditures	<u>55,708</u>	<u>1,293,913</u>	<u>1,349,621</u>	<u>(71,445)</u>	<u>1,278,176</u>
<b>GENERAL REVENUES</b>					
Property taxes	136,721	1,100,114	1,236,835	-	1,236,835
Specific ownership taxes	9,032	72,676	81,708	-	81,708
Facility fee	-	3,000	3,000	-	3,000
Miscellaneous	44,520	3,015	47,535	-	47,535
Total General Revenues	<u>190,273</u>	<u>1,178,805</u>	<u>1,369,078</u>	<u>-</u>	<u>1,369,078</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	134,565	(115,108)	19,457	(19,457)	
<b>CHANGE IN NET ASSETS</b>					
				90,902	90,902
<b>FUND BALANCE/NET ASSETS</b>					
BEGINNING OF YEAR	<u>125,062</u>	<u>2,073,646</u>	<u>2,198,708</u>	<u>(17,382,220)</u>	<u>(15,183,512)</u>
END OF YEAR	<u>\$ 259,627</u>	<u>\$ 1,958,538</u>	<u>\$ 2,218,165</u>	<u>\$ (17,310,775)</u>	<u>\$ (15,092,610)</u>

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

**Maher Ranch Metropolitan District #4**

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 (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 136,732	\$ 136,721	\$ (11)
Specific ownership taxes	9,357	9,032	(325)
Miscellaneous	<u>50</u>	<u>44,520</u>	<u>44,470</u>
Total Revenues	<u>146,139</u>	<u>190,273</u>	<u>44,134</u>
<b>EXPENDITURES</b>			
Accounting and audit	14,500	8,265	6,235
Insurance	5,000	5,430	(430)
Legal	20,000	37,735	(17,735)
Maintenance	25,000	-	25,000
Miscellaneous expenses	1,000	495	505
Director's Fees	2,051	2,054	(3)
Treasurer's fees	1,600	600	1,000
Utilities	1,000	1,129	(129)
Capital improvement subsidy	100,000	-	100,000
Landscape	25,000	-	25,000
Contingency	106,841	-	106,841
Emergency reserve	<u>5,855</u>	<u>-</u>	<u>5,855</u>
Total Expenditures	<u>307,847</u>	<u>55,708</u>	<u>252,139</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(161,708)	134,565	296,273
FUND BALANCE - BEGINNING OF YEAR	<u>161,708</u>	<u>125,062</u>	<u>(36,646)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 259,627</u>	<u>\$ 259,627</u>

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

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements  
December 31, 2011

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Maher Ranch Metropolitan District No. 4, 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 January of 1987, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to manage the financing, construction, operation and maintenance of the facilities located in the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

The District was organized concurrently with Maher Ranch Metropolitan Districts No. 3 and 5. Under the Amended Consolidated Service Plan effective July 8, 1999 each District was given the power to provide water, sanitation, streets, traffic and safety controls, television relay and translator services, mosquito and pest control, transportation, and part and recreation improvements and any other services that are normally provided by a metropolitan district within the District's boundaries. The Service Plan requires the District to convey all improvements to the town of Castle Rock, except those facilities and improvements primarily related to parks and recreation.

On July 18, 2000 the property in the boundaries of District No. 3 was included in District No. 4 and any agreements and/or contracts entered into by District No. 3 were assumed by the District. District No. 3 has been dissolved. All improvements made by District No. 3 were also transferred to the District. On December 20, 2007 District No. 5 was dissolved.

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.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements  
December 31, 2011

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.

The government-wide financial statements (i.e. the statement of net assets and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. 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 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 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 and are reported as separate columns in the fund financial statements.



Maher Ranch Metropolitan District No. 4

Notes to Financial Statements  
December 31, 2011

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash 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.

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.

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.

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.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements  
December 31, 2011

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.

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.

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 and original issue discount from the Series 2007 Bonds are being amortized over the respective terms of the bonds using the straight-line method. Accumulated amortization of bond issue costs amounted to \$163,530 at December 31, 2011.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

## Maher Ranch Metropolitan District No. 4

### Notes to Financial Statements December 31, 2011

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. As of 12/31/2011, the District has conveyed all of the capital improvements of the District to other governmental entities except for the pool and clubhouse. Control, operations and maintenance of the pool and clubhouse was transferred to the HOA. Control operations and maintenance of the pool and clubhouse are required to be performed by the HOA as reflected in the HOA's 2003 Declaration of Covenants, Conditions and Restrictions.

#### 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.

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.

#### 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 \$2,648 of the General Fund balance has been restricted in compliance with this requirement.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements  
December 31, 2011

The restricted fund balance in the Debt Service Fund in the amount of \$1,958,538 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Bonds Series 2007 A portion of these funds are being held by the trustee as a reserve requirement (see Note 4).

Assigned Fund Balance

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

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2012.

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.

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	\$ 267,113
Cash and investments – Restricted	<u>1,952,724</u>
Total	<u>\$ 2,219,837</u>

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

Deposits with financial institutions	\$ 4,915
Investments – COLOTRUST	408,857
Investments – CSAFE	<u>1,806,065</u>
	<u>\$ 2,219,837</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.

## Maher Ranch Metropolitan District No. 4

### Notes to Financial Statements

December 31, 2011

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

#### 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 \$408,857 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. The District had \$1,806,065 invested in CSAFE held by a trustee.

Maher Ranch Metropolitan District No. 4

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	\$ 408,057
CSAFE	Weighted average Under 60 days	<u>1,806,065</u>
Total investments		<u>\$ 2,214,122</u>

Note 3: Long Term Debt

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

On August 1, 2007 the District issued \$21,155,000 in General Obligation Refunding Bonds Series 2007 for the purpose of refunding all of the existing obligations under the General Obligation Limited Tax Bonds, Series 2003 and the General Obligation Limited Tax Bonds, Series 2006. The Series 2007 Bonds mature in incremental amounts beginning December 1, 2013 through December 1, 2036, with the various increments of the Bonds bearing interest at rates ranging from 4.375% to 5.25%.

The Series 2007 Bonds maturing on or before December 1, 2017 are not subject to redemption prior to maturity. The Bonds with later maturity dates on or after December 1, 2022 are subject to redemption prior to maturity at the option of the District on December 1, 2017 and on any day thereafter without a premium.

The net proceeds from the issuance of the Series 2007 Bonds were placed in escrow for the purpose of servicing the principal and interest payments related to the Series 2003 and Series 2006 Bonds until such the District elects to redeem the Bonds as allowed under the terms of each debenture. The refunding resulted in a net present value savings to the District of \$1,229,954.

The Bonds are secured by the District's promise to impose the Required Mill Levy in an amount not in excess of 45 mills adjusted for any changes in the ratio of actual valuation to assessed valuation (known as the Gallagher Amendment), and until such time as the Debt to Assessed Ratio is 50% or less, in an amount not less than 32.88 mills for each tax levy from 2003 to 2008 and in an amount not less than 35.70 mills for each tax levy in 2009 and thereafter.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements  
December 31, 2011

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

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011	Current Portion
General Obligation Limited Tax Refunding Bonds, Series 2007	\$ 20,815,000	\$ -	\$ 205,000	\$ 20,610,000	\$ 275,000
	20,815,000	-	205,000	20,610,000	275,000
Deferred Bond Refunding Costs, Series 2007	(2,749,367)	-	(105,745)	(2,643,622)	-
Series 2007 Bond Premium	95,477	-	3,672	91,805	-
	<u>\$ 18,161,110</u>	<u>\$ -</u>	<u>\$ 102,927</u>	<u>\$ 18,058,183</u>	<u>\$ 275,000</u>

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

	Principal	Interest	Total
2012	\$ 275,000	\$ 1,059,744	\$ 1,334,744
2013	290,000	1,047,713	1,337,713
2014	325,000	1,035,025	1,360,025
2015	340,000	1,019,994	1,359,994
2016	385,000	1,004,269	1,389,269
2017-2021	2,365,000	4,719,313	7,084,313
2022-2026	3,420,000	4,023,025	7,443,025
2027-2031	4,790,000	2,997,206	7,787,206
2032-2036	8,420,000	1,558,463	9,978,463
	<u>\$ 20,610,000</u>	<u>\$ 18,464,750</u>	<u>\$ 39,074,750</u>

As of December 31, 2011, the District had remaining voted debt authorization of approximately \$18,100,000. The District has not budgeted to issue any additional debt in 2012.

Note 4: Related Party

One of the members of the Board of Directors is a member of Diamond Ridge Partners, which is the managing member of Diamond Ridge, LLC, a landowner within the District. Management believes that all potential conflicts, if any, have been disclosed by the Board.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements  
December 31, 2011

Note 5: 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.

Note 6: 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 Colorado Special Districts Property and Liability Pool (the Pool) 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.



Maher Ranch Metropolitan District No. 4

Notes to Financial Statements  
December 31, 2011

Note 7: 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 capital outlays as expenditures, however, in the statement of activities, the costs of those assets are recorded as transfers to other governmental entities.
- 2) 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.
- 3) 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

**Maher Ranch Metropolitan District #4**

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

For the Year Ended December 31, 2011

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 1,100,203	\$1,100,114	\$ (89)
Specific ownership taxes	77,014	72,676	(4,338)
Facility fee	-	3,000	3,000
Miscellaneous	<u>10,000</u>	<u>3,015</u>	<u>(6,985)</u>
Total Revenues	<u>1,187,217</u>	<u>1,178,805</u>	<u>(8,412)</u>
<b>EXPENDITURES</b>			
Bond principal	205,000	205,000	-
Bond interest expense	1,068,712	1,068,712	-
Trustee fees	5,000	3,675	1,325
Miscellaneous expenses	1,500	-	1,500
Treasurer's fees	<u>16,503</u>	<u>16,526</u>	<u>(23)</u>
Total Expenditures	<u>1,296,715</u>	<u>1,293,913</u>	<u>2,802</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(109,498)	(115,108)	(5,610)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,054,827</u>	<u>2,073,646</u>	<u>18,819</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,945,329</u>	<u>\$1,958,538</u>	<u>\$ 13,209</u>

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

## EXHIBIT B

### Certification of the Board of Directors

STATE OF COLORADO  
COUNTY OF DOUGLAS  
MAHER RANCH METROPOLITAN DISTRICTS NO. 4

White, Bear and Ankele, Professional Corporation, acting general counsel and authorized representative for the Board of Directors of the above District, hereby certifies, on the Board's behalf, that during the year 2011, no action, event or condition enumerated in Section 11.02.060 of the Castle Rock Municipal Code took place within the District's boundaries or for which the District was made aware, which would have required a service plan amendment.



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Attorney for the District  
K. Sean Allen for White, Bear & Ankele,  
Professional Corporation