

MAHER RANCH METROPOLITAN DISTRICT NO. 4

2012 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.

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

- 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).

The District's 2012 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 to the development of public facilities has been completed. The District's ongoing capital expenditures, if any, would likely be for recreation and 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, 2012 was \$20,335,000 which is the outstanding principal amount remaining on the District's Series 2007 limited tax general obligation bonds.

The District's 2012 assessed value: \$21,868,090

The District's 2012 debt service mill levy: 55.063 for collection in 2013.

- E. The District's budget for the calendar year in which the annual report is submitted.

The District's 2013 budget is attached.

- F. A summary of any residential and commercial development that occurred within the District for the report year.

Residential construction is nearing full build out.

- G. A summary of all fees, charges and assessments imposed by the District for the report year.

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. Certification of the Board of Directors that no action, event or condition enumerated in Section 11.02.060 has occurred in the report year.

Attached as Exhibit B is the Board of Directors certification that no action, event or condition enumerated in Section 11.02.060 occurred in 2012.

- 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.

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)

Rex Williams (resident of the Maher Ranch development/Sapphire Pointe)

Anthony Roberts (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., 8005 S. Chester Street, Suite 150, Centennial, Colorado

EXHIBIT A

**MAHER RANCH METROPOLITAN DISTRICT NO. 4
2013 BUDGET**

**BUDGET RESOLUTION
(2013)**

CERTIFIED COPY OF RESOLUTION

STATE OF COLORADO)
) ss.
COUNTY OF DOUGLAS)

The Board of Directors of Maher Ranch Metropolitan District No. 4, Town of Castle Rock, County of Douglas, State of Colorado (the “District”) held a meeting at the office of Simmons & Wheeler, P.C., 8005 South Chester Street, Suite 150, Centennial, Colorado, on Wednesday, November 7, 2012, at the hour of 6:30 P.M.

The following members of the Board of Directors (the “Board”) were present:

William Lueschen
Julie Cambier
Rex Williams
Regina Conner
Lenn Haffeman

The Chairman reported that, prior to the meeting, each of the directors was made aware of the date, time and place of the budget meeting and the purpose for which it was called. It was further reported that notice was posted in three (3) locations within the boundaries of the District and at the Clerk and Records’ Office for Douglas County, Colorado, and, is believed to have remained posted to the date of this meeting.

**NOTICE AS TO PROPOSED 2013 BUDGET
AND
NOTICE AS TO AMENDED 2012 BUDGET**

NOTICE IS HEREBY GIVEN that a proposed budget has been submitted to the MAHER RANCH METROPOLITAN DISTRICT NO. 4 (the "District") for the year 2013. A copy of the proposed budget is on file in the office of Simmons & Wheeler, P.C., 8005 South Chester Street, Suite 150, Centennial, Colorado, where the same is open for public inspection.

NOTICE IS FURTHER GIVEN that an amendment to the 2012 budget may be submitted to the District. A copy of the proposed amended budget, if any, will be on file in the office of Simmons & Wheeler, P.C., 8005 South Chester Street, Suite 150, Centennial, Colorado, where the same is open for public inspection.

The proposed budget and amended budget, if any, will be considered at a special meeting of the District to be held at the office of Simmons & Wheeler, P.C., 8005 South Chester Street, Suite 150, Centennial, Colorado, on November 7, 2012 at 6:30 P.M. Any interested elector of the District may inspect the proposed budget and amended budget and file or register any objections at any time prior to final adoption of the budget and amended budget.

**BY ORDER OF THE BOARD OF DIRECTORS:
MAHER RANCH METROPOLITAN DISTRICT NO. 4**

Thereupon, Director Williams 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 2013 AND ENDING ON THE LAST DAY OF DECEMBER 2013.

WHEREAS, the Board has directed and authorized the District's accountant 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 November 7, 2012, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, the budget being adopted by the Board has been prepared based on the best information available to the Board regarding the effects of § 29-1-101, *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 2013 Revenues and 2013 Expenditures. The estimated revenues and expenditures for each fund for fiscal year 2013, 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 District's budget for fiscal year 2013. In the event of recertification of values by the County Assessor's Office after the date of adoption hereof, the accountant is hereby directed to modify and/or adjust the budget and certification to reflect the final certification 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. Levy for General Operating Expenses. For the purpose of meeting all general operating expenses of the District during the 2013 budget year, there is hereby levied a tax of 2.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 4. Levy for Debt Service Obligations. For the purposes of meeting all debt service obligations of the District during the 2013 budget year, there is hereby levied a tax of 55.063 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 5. Levy for Contractual Obligation Expenses. For the purposes of meeting all contractual obligations of the District during the 2013 budget year, there is hereby levied a tax of zero (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 legal counsel 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. Budget Certification. The budget shall be certified by a member of the Board, legal counsel, or other person designated by the Board, and made a part of the public records of the District.

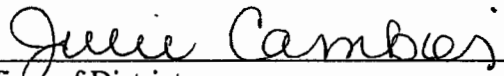
Section 9. Filing of Budget and Budget Message. The Board directs legal counsel or other designee to file a certified copy of the adopted budget and budget message with the Division of Local Government by January 30 of the ensuing year.

The foregoing Resolution was seconded by Director Conner.

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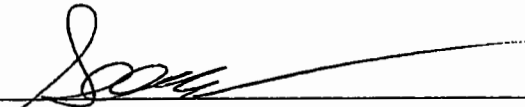
RESOLUTION APPROVED AND ADOPTED THIS 7th DAY OF NOVEMBER 2012.

MAHER RANCH METROPOLITAN DISTRICT NO. 4



Officer of District

ATTEST:



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

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 November 7, 2012, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 7th day of November 2012.



A handwritten signature in black ink, appearing to be "L. ...", is written above a solid horizontal line.

EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

MAHER RANCH METROPOLITAN DISTRICT NO. 4
2013
BUDGET MESSAGE

Attached please find a copy of the adopted 2013 budget for the Maher Ranch Metropolitan District No. 4.

The Maher Ranch Metropolitan District No. 4 has adopted two separate funds, a General Fund to provide for operating maintenance expenditures; and a Debt Service Fund to account for the repayment of principal and interest on the District's outstanding general obligation debt.

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 2013 will be property and specific ownership taxes. The District intends to impose a 57.063 mill levy on property within the District for 2013, of which 2.000 mills will be dedicated to the General Fund and the balance of 55.063 mills will be allocated to the Debt Service Fund.

Maher Ranch Metropolitan District No. 4
Adopted Budget
General Fund
For the Year ended December 31, 2013

	Actual 2011	Adopted Budget 2012	Actual 9/30/2012	Estimate 2012	Adopted Budget 2013
Beginning fund balance	\$ 125,062	\$ 261,107	\$ 259,627	\$ 259,627	\$ 222,533
Revenues:					
Property taxes	136,721	43,819	43,661	43,800	43,736
Specific Ownership taxes	9,032	3,067	2,499	3,300	3,062
Reimbursements	44,377	-	750	750	-
Interest income	143	50	32	50	57
Total revenues	190,273	46,936	46,942	47,900	46,855
Total funds available	315,335	308,043	306,569	307,527	269,388
Expenditures:					
Legal - general	37,735	40,000	55,797	70,000	25,000
Legal misc					25,000
Accounting	5,765	10,000	3,018	5,000	10,000
Audit	2,500	4,500	2,500	4,500	4,500
Insurance	5,430	5,500	3,537	3,537	5,500
Election	-	25,000	-	-	-
Maintenance	-	-	-	-	-
Directors' fees	600	1,600	500	1,200	1,600
Miscellaneous	495	1,000	56	100	1,000
Treasury Fees	2,054	657	655	657	656
Utilities	1,129	-	-	-	-
Landscape	-	-	-	-	-
Capital Improvement Subsidy	-	-	-	-	-
Contingency	-	217,138	-	-	193,934
Emergency reserve (3%)	-	2,648	-	-	2,198
Total expenditures	55,708	308,043	66,063	84,994	269,388
Ending fund balance	\$ 259,627	\$ -	\$ 240,506	\$ 222,533	\$ -
Assessed valuation	\$ 27,346,460	\$ 21,909,260			\$ 21,868,090
Mill Levy	5.000	2.000			2.000

Maher Ranch Metropolitan District No. 4
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2013

	Actual <u>2011</u>	Adopted Budget <u>2012</u>	Actual <u>9/30/2012</u>	Estimate <u>2012</u>	Adopted Budget <u>2013</u>
Beginning fund balance	\$ 2,073,644	\$ 1,944,582	\$ 1,958,536	\$ 1,958,536	\$ 1,831,707
Revenues:					
Property taxes	1,100,114	1,139,281	1,135,184	1,139,000	1,204,123
Specific ownership taxes	72,676	79,751	64,986	85,000	84,289
Facility fees	3,000	-	3,500	3,500	-
Interest income	3,015	1,500	3,858	4,000	3,715
Transfer from Capital fund	-	-	-	-	-
Total revenues	<u>1,178,805</u>	<u>1,220,532</u>	<u>1,207,528</u>	<u>1,231,500</u>	<u>1,292,127</u>
Total funds available	<u>3,252,449</u>	<u>3,165,114</u>	<u>3,166,064</u>	<u>3,190,036</u>	<u>3,123,834</u>
Expenditures:					
Bond Interest Series 2007	1,068,712	1,059,744	529,872	1,059,744	1,047,713
Bond Principal Series 2007	205,000	275,000	-	275,000	290,000
Trustee fees	3,675	5,000	1,225	5,000	2,500
Miscellaneous	-	1,500	-	1,500	1,503
Treasury fees	16,526	17,089	17,028	17,085	18,062
Total expenditures	<u>1,293,913</u>	<u>1,358,333</u>	<u>548,125</u>	<u>1,358,329</u>	<u>1,359,778</u>
Ending fund balance	<u>\$ 1,958,536</u>	<u>\$ 1,806,781</u>	<u>\$ 2,617,939</u>	<u>\$ 1,831,707</u>	<u>\$ 1,764,056</u>
Assessed valuation	<u>\$ 27,346,460</u>	<u>\$ 21,909,260</u>			<u>\$ 21,868,090</u>
Mill Levy	<u>40.232</u>	<u>52.000</u>			<u>55.063</u>
Total Mill Levy	<u>45.232</u>	<u>54.000</u>			<u>57.063</u>
Required Reserve		1,800,984			1,800,984
GO Bonds end of year		<u>\$ 20,335,000</u>			<u>\$ 20,045,000</u>

EXHIBIT A-1
2012 Audit Report

Maher Ranch Metropolitan District No. 4

Financial Statements

Year Ended December 31, 2012

with

Independent Auditor's Report

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L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

950 WADSWORTH BLVD.
SUITE 204
LAKEWOOD, COLORADO 80214
TELEPHONE (303) 232 2866
FAX (303) 232-9452
lpccpa@qwestoffice.net

Independent Auditor's Report

Board of Directors
Maher Ranch Metropolitan District No. 4

Report on the Financial Statements

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, 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Management Discussion and Analysis

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 opinion on the basic financial statements are not affected by this missing information.

Opinion

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, 2012, 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion 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.
September 2, 2013

Maher Ranch Metropolitan District #4

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 224,317	\$ -	\$ 224,317	\$ -	\$ 224,317
Cash and investments - restricted	-	1,834,007	1,834,007	-	1,834,007
Receivable county treasurer	247	6,413	6,660	-	6,660
Property taxes receivable	43,736	1,204,123	1,247,859	-	1,247,859
Prepaid Expenses	1,916	-	1,916	-	1,916
Bond insurance, net of amortization	-	-	-	390,514	390,514
Total Assets	<u>270,216</u>	<u>3,044,543</u>	<u>3,314,759</u>	<u>390,514</u>	<u>3,705,273</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	2,537,877	2,537,877
Total Deferred Outflows of Resources	-	-	-	2,537,877	2,537,877
Total Assets and Deferred Outflows of Resources	<u>\$ 270,216</u>	<u>\$ 3,044,543</u>	<u>\$ 3,314,759</u>		
LIABILITIES					
Accounts payable	\$ 5,344	\$ -	\$ 5,344	-	5,344
Accrued interest on bonds	-	-	-	56,562	56,562
Long-term liabilities					
Due within one year	-	-	-	290,000	290,000
Due in more than one year	-	-	-	20,133,133	20,133,133
Total Liabilities	<u>5,344</u>	<u>-</u>	<u>5,344</u>	<u>20,479,695</u>	<u>20,485,039</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	43,736	1,204,123	1,247,859	-	1,247,859
Total Deferred Inflows of Resources	<u>43,736</u>	<u>1,204,123</u>	<u>1,247,859</u>	<u>-</u>	<u>1,247,859</u>
FUND BALANCE					
Restricted:					
Emergencies	2,198	-	2,198	(2,198)	-
Debt service	-	1,840,420	1,840,420	(1,840,420)	-
Assigned:					
Subsequent years' expenditures	26,401	-	26,401	(26,401)	-
Unassigned	192,537	-	192,537	(192,537)	-
Total Fund Balances	<u>221,136</u>	<u>1,840,420</u>	<u>2,061,556</u>	<u>(2,061,556)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 270,216</u>	<u>\$ 3,044,543</u>	<u>\$ 3,314,759</u>		
NET POSITION					
Restricted for:					
Emergencies				2,198	2,198
Debt service				1,840,420	1,840,420
Unrestricted:				(17,332,366)	(17,332,366)
Total Net Position (Deficit)				<u>\$ (15,489,748)</u>	<u>\$ (15,489,748)</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/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 8,282	\$ -	\$ 8,282	\$ -	\$ 8,282
Insurance	3,637	-	3,637	-	3,637
Legal	72,998	-	72,998	-	72,998
Miscellaneous expenses	76	-	76	-	76
Director's Fees	800	-	800	-	800
Treasurer's fees	658	17,099	17,757	-	17,757
Bond principal	-	275,000	275,000	(275,000)	-
Bond interest expense	-	1,059,744	1,059,744	100,323	1,160,067
Trustee fees	-	1,225	1,225	-	1,225
Amortize bond insurance	-	-	-	16,271	16,271
Total Expenditures	<u>86,451</u>	<u>1,353,068</u>	<u>1,439,519</u>	<u>(158,406)</u>	<u>1,281,113</u>
GENERAL REVENUES					
Property taxes	43,812	1,139,123	1,182,935	-	1,182,935
Specific ownership taxes	3,357	87,294	90,651	-	90,651
Facility fee	-	3,500	3,500	-	3,500
Miscellaneous	791	5,033	5,824	-	5,824
Total General Revenues	<u>47,960</u>	<u>1,234,950</u>	<u>1,282,910</u>	<u>-</u>	<u>1,282,910</u>
CHANGE IN FUND BALANCE	(38,491)	(118,118)	(156,609)	156,609	
CHANGE IN NET POSITION				1,797	1,797
FUND BALANCE/NET POSITION					
BEGINNING OF YEAR - RESTATED	<u>259,627</u>	<u>1,958,538</u>	<u>2,218,165</u>	<u>(17,709,710)</u>	<u>(15,491,545)</u>
END OF YEAR	<u>\$ 221,136</u>	<u>\$ 1,840,420</u>	<u>\$ 2,061,556</u>	<u>\$(17,551,304)</u>	<u>\$(15,489,748)</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, 2012

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 43,819	\$ 43,812	\$ (7)
Specific ownership taxes	3,067	3,357	290
Miscellaneous	50	791	741
Total Revenues	<u>46,936</u>	<u>47,960</u>	<u>1,024</u>
EXPENDITURES			
Accounting and audit	14,500	8,282	6,218
Election expense	25,000	-	25,000
Insurance	5,500	3,637	1,863
Legal	40,000	72,998	(32,998)
Miscellaneous expenses	1,000	76	924
Director's Fees	1,600	658	942
Treasurer's fees	657	800	(143)
Contingency	217,138	-	217,138
Emergency reserve	2,648	-	2,648
Total Expenditures	<u>308,043</u>	<u>86,451</u>	<u>221,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(261,107)	(38,491)	222,616
FUND BALANCE - BEGINNING OF YEAR	<u>261,107</u>	<u>259,627</u>	<u>(1,480)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 221,136</u>	<u>\$ 221,136</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, 2012

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 Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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 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, 2012

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.

Recently Issued and Adopted Accounting Pronouncements

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 required the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB 54 in fiscal year 2011.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components, which are, assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB Statement 63 in fiscal year 2012.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statements also limits the use of the term deferred to items reported as deferred outflows of resources or deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 although the District elected to early implement GASB Statement 65 in fiscal year 2012.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The District has not adopted Statement 61.

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 governmental funds balance sheet/the statement of net position 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 net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. 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 and 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.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements December 31, 2012

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 Position

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, 2012, 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.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Original Issue Premium and Prepaid Debt Insurance

Original issue premium and prepaid bond insurance costs from the Series 2007 Bonds are being amortized over the respective terms of the bonds using the straight-line method. Accumulated amortization of bond insurance costs amounted to \$97,676 at December 31, 2012.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

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.

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 12/31/2012, 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 inflows 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.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

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 \$2,198 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 \$1,840,420 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, 2013.

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.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. At December 31, 2012 the District did not have any amount to report in this category.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Due to the implementation of GASB 65, the following discloses the restatement of net position as of the beginning of the fiscal year:

Net Assets (Position), beginning of year, as previously stated:	\$(15,092,610)
Decrease due to the change in accounting for bond issuance costs	<u>(398,935)</u>
Net Position, beginning of year, as restated	<u>\$(15,491,545)</u>

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 224,317
Cash and investments – Restricted	<u>1,834,007</u>
Total	<u>\$ 2,058,324</u>

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

Deposits with financial institutions	\$ 4,017
Investments – COLOTRUST	245,947
Investments – CSAFE	<u>1,808,360</u>
	<u>\$ 2,058,324</u>

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements December 31, 2012

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 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, 2012, the District had \$245,947 invested in COLOTRUST.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

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 \$1,808,360 invested in CSAFE held by a trustee.

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, 2012, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	Weighted average Under 60 days	\$ 245,947
CSAFE	Weighted average Under 60 days	<u>1,808,360</u>
Total investments		<u>\$ 2,054,307</u>

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2012, 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%.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

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.

The following is an analysis of changes in long-term debt for the period ending December 31, 2012:

	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Current</u> <u>Portion</u>
General Obligation Limited Tax Refunding Bonds, Series 2007	\$ 20,610,000	\$ -	\$ 275,000	\$ 20,335,000	\$ 290,000
	20,610,000	-	275,000	20,335,000	290,000
Series 2007 Bond Premium	91,805	-	3,672	88,133	-
	<u>\$ 20,701,805</u>	<u>\$ -</u>	<u>\$ 278,672</u>	<u>\$ 20,423,133</u>	<u>\$ 290,000</u>

As of December 31, 2012, the District had remaining voted debt authorization of approximately \$18,100,000. The District has not budgeted to issue any additional debt in 2013.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

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

	Principal	Interest	Total
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	400,000	986,463	1,386,463
2018-2022	2,560,000	4,602,563	7,162,563
2023-2027	3,655,000	3,846,294	7,501,294
2028-2032	5,130,000	2,746,275	7,876,275
2033-2036	7,250,000	1,116,413	8,366,413
	\$20,335,000	\$17,405,009	\$37,740,009

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.

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.

Maher Ranch Metropolitan District No. 4

Notes to Financial Statements
December 31, 2012

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.

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 insurance 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 insurance costs as an expenditure, however, in the statement of activities, the bond insurance 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, 2012

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 1,139,281	\$ 1,139,123	\$ (158)
Specific ownership taxes	79,751	87,294	7,543
Facility fee	-	3,500	3,500
Miscellaneous	<u>1,500</u>	<u>5,033</u>	<u>3,533</u>
Total Revenues	<u>1,220,532</u>	<u>1,234,950</u>	<u>14,418</u>
EXPENDITURES			
Bond principal	275,000	275,000	-
Bond interest expense	1,059,744	1,059,744	-
Trustee fees	5,000	1,225	3,775
Miscellaneous expenses	1,500	-	1,500
Treasurer's fees	<u>17,089</u>	<u>17,099</u>	<u>(10)</u>
Total Expenditures	<u>1,358,333</u>	<u>1,353,068</u>	<u>5,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(137,801)	(118,118)	19,683
FUND BALANCE - BEGINNING OF YEAR	<u>1,944,582</u>	<u>1,958,538</u>	<u>13,956</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,806,781</u>	<u>\$ 1,840,420</u>	<u>\$ 33,639</u>

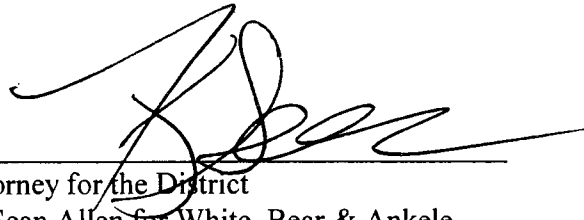
The notes to the financial statements are an integral part of these statements.

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 2012, 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.



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

GARY R. WHITE
KRISTEN D. BEAR
WILLIAM P. ANKELE, JR.
JENNIFER GRUBER TANAKA*
K. SEAN ALLEN
GEORGE M. ROWLEY**

WHITE • BEAR • ANKELE
PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

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***ROBERT G. ROGERS
BRENT E. BUTZIN
KRISTIN J. BOWERS
****ZACHARY P. WHITE
****ABBY L. KIRKBRIDE

September 16, 2013

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
2012 Annual Report**


To Whom It May Concern:

Enclosed for your information and records is a copy of the 2012 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

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****Colorado Admission Pending*

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