

**EBERT METROPOLITAN DISTRICT**  
City and County of Denver, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2012

Board of Directors  
Ebert Metropolitan District  
City and County of Denver, Colorado

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ebert Metropolitan District, 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, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ebert Metropolitan District as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other-Matters***

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ebert Metropolitan District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and were derived from and relate 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. The continuing disclosure annual financial information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Simmons & Whelan P.C.*

Centennial, CO  
September 20, 2013

## **BASIC FINANCIAL STATEMENTS**

**EBERT METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2012**

|                                           | <b>Governmental<br/>Activities</b> |
|-------------------------------------------|------------------------------------|
| <b>ASSETS</b>                             |                                    |
| Cash and investments                      | \$ 137,182                         |
| Cash and investments - Restricted         | 3,428,176                          |
| Receivable - County Treasurer             | 20,543                             |
| Property taxes receivable                 | 4,466,321                          |
| Interest receivable                       | 230                                |
| Total assets                              | 8,052,452                          |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b> |                                    |
| Cost of debt refunding                    | 9,743,382                          |
| Total deferred outflows of resources      | 9,743,382                          |
| <br><b>LIABILITIES</b>                    |                                    |
| Accounts payable                          | 2,000                              |
| Due to County                             | 27,653                             |
| Due to Town Center                        | 239,503                            |
| Accrued interest payable                  | 385,228                            |
| Noncurrent liabilities:                   |                                    |
| Due within one year                       | 75,000                             |
| Due in more than one year                 | 86,329,569                         |
| Total liabilities                         | 87,058,953                         |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>  |                                    |
| Property tax revenue                      | 4,466,321                          |
| Total deferred inflows of resources       | 4,466,321                          |
| <br><b>NET POSITION</b>                   |                                    |
| Restricted for:                           |                                    |
| Emergency reserves                        | 27,000                             |
| Debt service                              | (245,672)                          |
| Conservation trust fund                   | 4                                  |
| Unrestricted                              | (73,510,772)                       |
| Total net position                        | \$ (73,729,440)                    |

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

**EBERT METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2012

| Functions/Programs                    | Program Revenues    |                      |                                    | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------------|---------------------|----------------------|------------------------------------|---------------------------------------------------|
|                                       | Expenses            | Charges for Services | Operating Grants and Contributions |                                                   |
|                                       |                     |                      | Capital Grants and Contributions   | Governmental Activities                           |
| Primary government:                   |                     |                      |                                    |                                                   |
| Governmental activities:              |                     |                      |                                    |                                                   |
| General government                    | \$ 2,329,622        | \$ -                 | \$ 734,891                         | \$ (1,594,731)                                    |
| Interest and fees on long-term debt   | 5,298,325           | -                    | -                                  | (5,298,325)                                       |
|                                       | <u>\$ 7,627,947</u> | <u>\$ -</u>          | <u>\$ 734,891</u>                  | <u>(6,893,056)</u>                                |
| General revenues:                     |                     |                      |                                    |                                                   |
| Property taxes                        |                     |                      |                                    | 4,255,340                                         |
| Specific ownership taxes              |                     |                      |                                    | 287,342                                           |
| Other revenue                         |                     |                      |                                    | 16,617                                            |
| Net investment income                 |                     |                      |                                    | 2,397                                             |
| Total general revenues                |                     |                      |                                    | <u>4,561,696</u>                                  |
| Change in net position                |                     |                      |                                    | (2,331,360)                                       |
| Net position - Beginning, as restated |                     |                      |                                    | (71,398,080)                                      |
| Net position - Ending                 |                     |                      |                                    | <u>\$ (73,729,440)</u>                            |

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

**EBERT METROPOLITAN DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2012**

|                                                                               | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Conservation<br/>Trust</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------------------------------------------------|---------------------|-------------------------|-------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                                                 |                     |                         |                               |                                         |
| Cash and investments                                                          | \$ 137,182          | \$ -                    | \$ -                          | \$ 137,182                              |
| Cash and investments - Restricted                                             | 427,099             | 3,001,073               | 4                             | 3,428,176                               |
| Receivable - County Treasurer                                                 | 4,657               | 15,886                  | -                             | 20,543                                  |
| Interest receivable                                                           | 1                   | 229                     | -                             | 230                                     |
| Property taxes receivable                                                     | 994,635             | 3,471,686               | -                             | 4,466,321                               |
| Total assets                                                                  | <u>\$ 1,563,574</u> | <u>\$ 6,488,874</u>     | <u>\$ 4</u>                   | <u>\$ 8,052,452</u>                     |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>       |                     |                         |                               |                                         |
| <b>LIABILITIES</b>                                                            |                     |                         |                               |                                         |
| Accounts payable                                                              | \$ -                | \$ 2,000                | \$ -                          | \$ 2,000                                |
| Due to Town Center                                                            | -                   | 239,503                 | -                             | 239,503                                 |
| Due to County                                                                 | 6,296               | 21,357                  | -                             | 27,653                                  |
| Total liabilities                                                             | <u>6,296</u>        | <u>262,860</u>          | <u>-</u>                      | <u>269,156</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                          |                     |                         |                               |                                         |
| Property tax revenue                                                          | 994,635             | 3,471,686               | -                             | 4,466,321                               |
| Total deferred inflows of resources                                           | <u>994,635</u>      | <u>3,471,686</u>        | <u>-</u>                      | <u>4,466,321</u>                        |
| <b>FUND BALANCES</b>                                                          |                     |                         |                               |                                         |
| Restricted for:                                                               |                     |                         |                               |                                         |
| Emergencies (TABOR)                                                           | 27,000              | -                       | -                             | 27,000                                  |
| Debt service                                                                  | -                   | 2,754,328               | -                             | 2,754,328                               |
| Conservation trust fund                                                       | -                   | -                       | 4                             | 4                                       |
| Assigned:                                                                     |                     |                         |                               |                                         |
| Capital projects                                                              | 400,099             | -                       | -                             | 400,099                                 |
| Unassigned:                                                                   |                     |                         |                               |                                         |
|                                                                               | 135,544             | -                       | -                             | 135,544                                 |
| Total fund balances                                                           | <u>562,643</u>      | <u>2,754,328</u>        | <u>4</u>                      | <u>3,316,975</u>                        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> |                     |                         |                               |                                         |
|                                                                               | <u>\$ 1,563,574</u> | <u>\$ 6,488,874</u>     | <u>\$ 4</u>                   |                                         |

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

|                                         |                        |
|-----------------------------------------|------------------------|
| Bonds payable                           | (87,830,000)           |
| Bond discount, net                      | 1,425,431              |
| Cost of bond refunding, net             | 9,743,382              |
| Accrued bond interest                   | (385,228)              |
| Net position of governmental activities | <u>\$ (73,729,440)</u> |

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

**EBERT METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2012**

|                                                         | <u>General</u>     | <u>Debt<br/>Service</u> | <u>Conservation<br/>Trust</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------------------------|--------------------|-------------------------|-------------------------------|-----------------------------------------|
| <b>REVENUES</b>                                         |                    |                         |                               |                                         |
| Property taxes                                          | \$ 946,990         | \$ 3,308,350            | \$ -                          | \$ 4,255,340                            |
| Specific ownership taxes                                | 63,945             | 223,397                 | -                             | 287,342                                 |
| Other income                                            | 16,617             | -                       | -                             | 16,617                                  |
| Development fees                                        | 700,954            | -                       | -                             | 700,954                                 |
| Net investment income                                   | 443                | 1,835                   | 119                           | 2,397                                   |
| Conservation trust fund                                 | -                  | -                       | 33,937                        | 33,937                                  |
| Total revenues                                          | <u>1,728,949</u>   | <u>3,533,582</u>        | <u>34,056</u>                 | <u>5,296,587</u>                        |
| <b>EXPENDITURES</b>                                     |                    |                         |                               |                                         |
| Current operations                                      |                    |                         |                               |                                         |
| County Treasurer's fees                                 | 9,459              | 33,047                  | -                             | 42,506                                  |
| Town Center services reimbursement                      | 1,268,623          | -                       | -                             | 1,268,623                               |
| Town Center capital reimbursement                       | 993,223            | -                       | 58,317                        | 1,051,540                               |
| Debt service                                            |                    |                         |                               |                                         |
| Bond interest                                           | -                  | 4,622,730               | -                             | 4,622,730                               |
| Paying agent fees                                       | -                  | 4,000                   | -                             | 4,000                                   |
| Total expenditures                                      | <u>2,271,305</u>   | <u>4,659,777</u>        | <u>58,317</u>                 | <u>6,989,399</u>                        |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>(542,356)</u>   | <u>(1,126,195)</u>      | <u>(24,261)</u>               | <u>(1,692,812)</u>                      |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>               |                    |                         |                               |                                         |
| Transfer (to) from other funds                          | <u>(847,324)</u>   | <u>847,324</u>          | <u>-</u>                      | <u>-</u>                                |
| Total other financing<br>sources (uses)                 | <u>(847,324)</u>   | <u>847,324</u>          | <u>-</u>                      | <u>-</u>                                |
| <b>NET CHANGE IN FUND BALANCES</b>                      | <u>(1,389,680)</u> | <u>(278,871)</u>        | <u>(24,261)</u>               | <u>(1,692,812)</u>                      |
| <b>FUND BALANCES - BEGINNING<br/>OF YEAR</b>            | <u>1,952,323</u>   | <u>3,033,199</u>        | <u>24,265</u>                 | <u>5,009,787</u>                        |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ 562,643</u>  | <u>\$ 2,754,328</u>     | <u>\$ 4</u>                   | <u>\$ 3,316,975</u>                     |

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



**EBERT METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2012**

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

|                                                       |                |
|-------------------------------------------------------|----------------|
| Net change in fund balance - Total governmental funds | \$ (1,692,812) |
|-------------------------------------------------------|----------------|

The issuance of long-term debt (e.g., bonds, leases, Developer advances) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

|                                                     |           |
|-----------------------------------------------------|-----------|
| Current year amortization of bond discount          | (81,495)  |
| Current year amortization of cost of bond refunding | (557,053) |
|                                                     | (638,548) |

|                                                   |                |
|---------------------------------------------------|----------------|
| Change in net position of governmental activities | \$ (2,331,360) |
|---------------------------------------------------|----------------|

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

**EBERT METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2012**

|                                                                                                                        | <u>Budget<br/>Amounts</u>     |                           | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------|-------------------------------------------------------------------|
|                                                                                                                        | <u>Original<br/>and Final</u> | <u>Actual<br/>Amounts</u> |                                                                   |
| <b>REVENUES</b>                                                                                                        |                               |                           |                                                                   |
| Property taxes                                                                                                         | \$ 954,180                    | \$ 946,990                | \$ (7,190)                                                        |
| Specific ownership taxes                                                                                               | 52,500                        | 63,945                    | 11,445                                                            |
| Other income                                                                                                           | -                             | 16,617                    | 16,617                                                            |
| Development fees - Prepaid SDFs                                                                                        | 210,000                       | -                         | (210,000)                                                         |
| Development fees                                                                                                       | 778,200                       | 700,954                   | (77,246)                                                          |
| Net investment income                                                                                                  | 860                           | 443                       | (417)                                                             |
| Total revenues                                                                                                         | <u>1,995,740</u>              | <u>1,728,949</u>          | <u>(266,791)</u>                                                  |
| <b>EXPENDITURES</b>                                                                                                    |                               |                           |                                                                   |
| Current                                                                                                                |                               |                           |                                                                   |
| County Treasurer's fees                                                                                                | 9,540                         | 9,459                     | 81                                                                |
| Regional Facilities Construction                                                                                       |                               |                           |                                                                   |
| Agreement Service cost                                                                                                 | 1,250,000                     | 1,268,623                 | (18,623)                                                          |
| Construction cost                                                                                                      | 993,223                       | 993,223                   | -                                                                 |
| Contingency                                                                                                            | 4,037                         | -                         | 4,037                                                             |
| Total expenditures                                                                                                     | <u>2,256,800</u>              | <u>2,271,305</u>          | <u>(14,505)</u>                                                   |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b>                                                                | <u>(261,060)</u>              | <u>(542,356)</u>          | <u>(281,296)</u>                                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                                                                  |                               |                           |                                                                   |
| Transfer to other funds                                                                                                | (1,103,200)                   | (847,324)                 | 255,876                                                           |
| Total other financing sources (uses)                                                                                   | <u>(1,103,200)</u>            | <u>(847,324)</u>          | <u>255,876</u>                                                    |
| <b>EXCESS OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER<br/>(UNDER) EXPENDITURES AND<br/>OTHER FINANCING (USES)</b> | (1,364,260)                   | (1,389,680)               | (25,420)                                                          |
| <b>FUND BALANCES -<br/>BEGINNING OF YEAR</b>                                                                           | 1,582,858                     | 1,952,323                 | 369,465                                                           |
| <b>FUND BALANCES - END OF YEAR</b>                                                                                     | <u>\$ 218,598</u>             | <u>\$ 562,643</u>         | <u>\$ 344,045</u>                                                 |

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

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Ebert Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City and County of Denver, Colorado (City) on September 12, 1983 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City. The District's service area is located within the City.

The District was organized concurrently with Town Center Metropolitan District (Town). The District has the power to provide sanitation, storm drainage, streets, traffic and safety controls, water and park and recreation improvements and other related improvements for the benefit of taxpayers and service users within Town's and the District's boundaries.

The District is intended to serve as the "financing district" while Town is intended to serve as the "operating district". The operating district is responsible for providing the day-to-day construction operations and administrative management of both districts. The operating district is economically dependent upon intergovernmental revenue received from the financing district.

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

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

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

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

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

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

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District reports the following major governmental funds:

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

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

The Conservation Trust Fund (a Capital Projects Fund) is used to account for the lottery proceeds received from the state. This revenue is restricted for the maintenance or acquisition and construction of recreational facilities under State statutes.

**Budgets**

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

For the year ended December 31, 2012, supplementary appropriations approved by the District's Board of Directors modified the appropriation from \$22,005 to \$58,365 in the Conservation Trust Fund.

**Pooled Cash and Investments**

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

Investments are carried at fair value.

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes**

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

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

**Development Fees**

The Board of Directors has established development fees to be collected at the time of a request for building permit from the builder based upon an original fee schedule of \$30,000 per acre for single family development, \$36,000 per acre for multi-family development, \$38,000 per acre for commercial development and \$10,000 per acre for development of school and church properties. Fees are increased annually. As of March 1, 2012, the fees in effect were \$36,000 per acre for single family development, \$42,000 per acre for multi-family development, \$44,000 per acre for commercial development, \$15,500 per acre for school sites, and \$16,000 per acre for churches.

In 2013, the Ebert Board of Directors has adopted an annual \$500 per acre increase effective March 1, 2013. This represents 1.39% increase for single family, 1.19% multi family and 1.14% for commercial.

**Amortization**

**Original Issue Discount/Premium**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

**Cost on Bond Refunding**

In the government-wide financial statements, the deferred cost on bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized cost is reflected on the statement of net position as a deferred outflow of resources.

**Fund Equity**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

**New Accounting Pronouncements**

Effective January 1, 2012, the District implemented the provisions of GASB No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” (GASB No. 63) and early implemented the provisions of GASB No. 65, “Items Previously Reported as Assets and Liabilities” (GASB No. 65).

GASB No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4 “*Elements of Financial Statements*” (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The impact on the District’s financial statements has been to replace the term “net assets” with “net position”.

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. Some assets previously reported as assets are now reported as an outflow of resources/expenses. One of these assets is debt issuance costs. The District’s beginning net position has been restated to reflect expensing of all debt issuance costs that had been previously capitalized. The effect of this treatment is as follows:

|                                                        |                        |
|--------------------------------------------------------|------------------------|
| Net position – December 31, 2011, as originally stated | \$ (67,997,004)        |
| Restatement related to debt issuance costs             | <u>(3,401,076)</u>     |
| Net position – December 31, 2011, as restated          | <u>\$ (71,398,080)</u> |

Additionally, the District’s receivable related to property taxes to be collected in 2013 is treated as a deferred inflow of resources.



**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

|                                   |                     |
|-----------------------------------|---------------------|
| Cash and investments              | \$ 137,182          |
| Cash and investments - Restricted | <u>3,428,176</u>    |
| Total cash and investments        | <u>\$ 3,565,358</u> |

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

|             |                     |
|-------------|---------------------|
| Investments | <u>\$ 3,565,358</u> |
|-------------|---------------------|

**Deposits with Financial Institutions**

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

At December 31, 2012, the District did not have any cash deposits since the local government investment pool described below provides payment services.

**Investments**

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

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

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

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

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

| <b>Investment</b>                            | <b>Maturity</b>                | <b>Fair Value</b>   |
|----------------------------------------------|--------------------------------|---------------------|
| Colorado Surplus Asset Fund<br>Trust (CSAFE) | Weighted average under 60 days | \$ 3,404,321        |
| Federated Treasury Money<br>Market Fund      | 13 months or less              | 161,037             |
|                                              |                                | <u>\$ 3,565,358</u> |

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE 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 a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

**Federated Treasury Money Market Fund**

Capital escrow and debt service funds that were included in the trust accounts at UMB Corporate Trust Services were invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligations Fund is rated AAAM by Standard & Poor's.

**NOTE 4 - LONG-TERM OBLIGATIONS**

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

|                                  | <u>Balance at<br/>December 31,<br/>2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at<br/>December 31,<br/>2012</u> | <u>Amount<br/>Due<br/>Within<br/>One Year</u> |
|----------------------------------|---------------------------------------------|------------------|------------------|---------------------------------------------|-----------------------------------------------|
| General obligation bonds payable |                                             |                  |                  |                                             |                                               |
| Series 2007                      | \$ 87,830,000                               | \$ -             | \$ -             | \$ 87,830,000                               | \$ 75,000                                     |
|                                  | 87,830,000                                  | -                | -                | 87,830,000                                  | 75,000                                        |
| Discount                         | (1,506,926)                                 | -                | 81,495           | (1,425,431)                                 | (81,495)                                      |
|                                  | <u>\$ 86,323,074</u>                        | <u>\$ -</u>      | <u>\$ 81,495</u> | <u>\$ 86,404,569</u>                        | <u>\$ (6,495)</u>                             |

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**General Obligation Bonds**

**\$87,830,000 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2007, dated December 6, 2007**, with interest of 5.00% to 5.35%, consisting of term bonds issued in the amount of \$14,875,000 due annually through 2022, term bonds issued in the original amount of \$16,075,000 through 2027 and term bonds issued in the original amount of \$56,880,000 due December 1, 2037. Such term bonds are subject to mandatory redemption. In addition, bonds maturing on and after December 1, 2017 are callable at the option of the District, on any date thereafter, upon payment of par and accrued interest, without redemption premium.

The bonds maturing on December 1, 2022, December 1, 2027 and December 1, 2037 also are subject to mandatory sinking fund redemption prior to maturity date of such Bonds, in part, by lot, upon payment of par and accrued interest, without redemption premium. The principal and interest of these bonds are insured as to repayment by the District by Radian Asset Assurance, Inc. During 2008, Standard & Poor's downgraded the rating of Radian from "AA" to "A" and placed Radian on CreditWatch Negative. During 2009, Standard & Poor's downgraded Radian to B+, which was affirmed on August 2, 2012. For additional information on the rating change, contact Standard & Poor's or Radian.

The bonds are secured by and payable from Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The Bonds are also secured by amounts held by the Trustee in a Reserve Fund in the amount of \$3,000,000. The Reserve Fund was created for the purpose of paying, if necessary, the principal of, premium, if any, and interest on the bonds. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable and to make up deficiencies in the Reserve Fund. The maximum Required Mill Levy is 65.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2012, the adjusted maximum mill levy is 74.717. For collection years 2012 and 2013, the District levied 58.000 mills for debt service.

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Refunding**

On December 6, 2007, the District advance refunded and defeased (debt legally satisfied) its General Obligation Limited Tax Refunding bonds dated November 15, 2004. The defeased bonds are not considered a liability of the District since sufficient funds were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds until the call date, at which point the bonds will be repaid in their entirety from the remaining funds in the escrow account. The bonds will be redeemed on December 1, 2014. As of December 31, 2012, the outstanding principal balance of the bonds is \$34,780,000.

The District's long-term obligations on its outstanding debt at December 31, 2012, will mature as follows:

|           | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>          |
|-----------|----------------------|----------------------|-----------------------|
| 2013      | \$ 75,000            | \$ 4,622,730         | \$ 4,697,730          |
| 2014      | 375,000              | 4,618,980            | 4,993,980             |
| 2015      | 850,000              | 4,600,230            | 5,450,230             |
| 2016      | 1,225,000            | 4,557,730            | 5,782,730             |
| 2017      | 1,430,000            | 4,496,480            | 5,926,480             |
| 2018-2022 | 10,920,000           | 21,143,400           | 32,063,400            |
| 2023-2027 | 16,075,000           | 17,839,580           | 33,914,580            |
| 2028-2032 | 22,655,000           | 12,952,350           | 35,607,350            |
| 2033-2037 | 34,225,000           | 6,024,367            | 40,249,367            |
|           | <u>\$ 87,830,000</u> | <u>\$ 80,855,847</u> | <u>\$ 168,685,847</u> |

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On November 3, 1998, the District's electors authorized the incurrence of general obligation indebtedness totaling \$90,500,000 at an interest rate not to exceed 15% for a maximum term of 20 years. On November 7, 2000, the District's electors authorized an additional \$90,500,000 of general obligation indebtedness at an interest rate not to exceed 15%, with no limit on the maximum term. At December 31, 2012, the District has authorized but unissued indebtedness for the following purposes:

|                     | <u>Authorized<br/>November 3,<br/>1998 Election</u> | <u>Authorized<br/>November 7,<br/>2000 Election</u> | <u>Total<br/>Authorized</u> |
|---------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------|
| Street improvements | \$ 35,000,000                                       | \$ 35,000,000                                       | \$ 70,000,000               |
| Traffic controls    | 2,000,000                                           | 2,000,000                                           | 4,000,000                   |
| Water system        | 28,000,000                                          | 28,000,000                                          | 56,000,000                  |
| Sanitary sewer      | 13,000,000                                          | 13,000,000                                          | 26,000,000                  |
| Park and recreation | 12,000,000                                          | 12,000,000                                          | 24,000,000                  |
| Operations          | 500,000                                             | 500,000                                             | 1,000,000                   |
|                     | <u>\$ 90,500,000</u>                                | <u>\$ 90,500,000</u>                                | <u>\$ 181,000,000</u>       |

|                     | <u>Authorization Used</u>    |                              |                              |                              | <u>Remaining at<br/>December 31,<br/>2012</u> |
|---------------------|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------------------------|
|                     | <u>Series<br/>2001 Bonds</u> | <u>Series<br/>2004 Bonds</u> | <u>Series<br/>2005 Bonds</u> | <u>Series<br/>2007 Bonds</u> |                                               |
| Street improvements | \$ 13,580,300                | \$ 2,091,656                 | \$ 13,161,592                | \$ 14,360,744                | \$ 26,805,708                                 |
| Traffic controls    | -                            | -                            | -                            | -                            | 4,000,000                                     |
| Water system        | 6,338,400                    | (852,762)                    | 4,101,235                    | 4,808,238                    | 41,604,889                                    |
| Sanitary sewer      | 9,142,725                    | (5,611,303)                  | 455,763                      | 2,689,580                    | 19,323,235                                    |
| Park and recreation | 5,688,575                    | 5,952,409                    | 3,781,410                    | 8,541,438                    | 36,168                                        |
| Operations          | -                            | -                            | -                            | -                            | 1,000,000                                     |
|                     | <u>\$ 34,750,000</u>         | <u>\$ 1,580,000</u>          | <u>\$ 21,500,000</u>         | <u>\$ 30,400,000</u>         | <u>\$ 92,770,000</u>                          |

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 5 - INTERGOVERNMENTAL AGREEMENTS**

**Agreement with Weingarten/Miller/GVR, LLC**

The District has entered into an Agreement dated as of July 10, 2002 (the Weingarten Agreement) with Weingarten/Miller/GVR, LLC (Weingarten). Pursuant to the Weingarten Agreement, the District agreed to limit its debt service mill levy for all District bonds to 65 mills, subject to certain adjustments for changes in law (the Mill Levy Cap). As of December 31, 2012, the adjusted mill levy cap for this agreement was 74.717. The Mill Levy Cap may be removed by the District at such time as the general obligation debt of the District is equal to or less than 50% of the assessed value of the taxable property in the District. The District further agreed to include terms incorporating the Mill Levy Cap into the documents governing its bond transactions and to provide notice to Weingarten of the District's intent to issue bonds and the proposed terms thereof. The District provided notice of the issuance of the Series 2007 Bonds to Weingarten on July 10, 2007 pursuant to the Weingarten Agreement.

**Inclusion Agreement**

The District has entered into an Inclusion Agreement dated as of September 20, 2005 (the Inclusion Agreement) with Town Center and CP Bedrock LLC (CP Bedrock). Pursuant to the Inclusion Agreement, the parties set out the terms by which certain property owned by CP Bedrock has been and will be included into and excluded from the District. In addition, the District has agreed to limit its debt service mill levy to 65 mills, subject to certain adjustments for changes in law. As of December 31, 2012, the maximum mill levy under this agreement was 65.000. Finally, the District has agreed to provide CP Bedrock with notice at least 60 days prior to issuing debt obligations.

During 2008, the District entered into an amendment to the Inclusion Agreement that modified the language in the Inclusion Agreement to describe the authorized adjustments to the District's 65-mill limit for changes in law and other provisions. The District also entered into an Escrow Agreement with United Missouri Bank (UMB) (formerly American National Bank) that modified the original escrow instructions delivered pursuant to the Inclusion Agreement. Pursuant to the Modified Escrow Agreement, \$4,657,010 of the proceeds of the bonds were deposited into an escrow account to be released to the District as certain improvements are completed that benefit property owned by CP Bedrock that is subject to the Inclusion Agreement. At December 31, 2012, the balance in the escrow account was \$160,561.

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 5 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**Regional Facilities Construction Agreements**

The District entered into a Regional Facilities Construction Agreement (Old Agreement) with Town on December 1, 1999. Under the Old Agreement, Town is to provide capital construction and administrative services to the District.

Town is to own, operate, maintain, and construct the facilities benefiting both Districts. The District will, to the extent that the District is to benefit, pay the capital and service costs of construction, operation and maintenance of such facilities. At special elections held within the District on November 2, 1999 and on November 7, 2000, the District's qualified electors approved \$33,000,000 and \$66,000,000, respectively, for a total amount of \$99,000,000, for the Old Agreement.

On April 28, 2005, the District and Town entered into a District Facilities Construction, Funding and Service Agreement (New Agreement), which replaced the Old Agreement. Under the New Agreement, the obligations of the District and Town remain essentially the same. In addition, Town may draw against the District's project funds without further need of the District's consent, to pay the capital costs expected to be paid pursuant to the New Agreement. The District also agrees to levy a minimum service levy of not less than 10 mills and not greater than 50 mills to pay the service costs expected to be paid pursuant to the New Agreement. The District anticipates amending the New Agreement in the future to shift a portion of the service costs to capital costs, to reflect the actual uses by Town.

An estimate of the total maximum capital costs and total maximum service costs is set forth below:

| <u>Year</u> | <u>Capital Cost</u> | <u>Service Cost</u>  |
|-------------|---------------------|----------------------|
| 2013        | \$ 725,000          | \$ 1,245,000         |
| 2014        | -                   | 972,300              |
| 2015        | -                   | 991,800              |
| 2016        | -                   | 1,011,600            |
| 2017        | -                   | 1,031,850            |
| 2018-2022   | -                   | 5,477,000            |
| 2023-2027   | -                   | 6,047,150            |
| 2028-2032   | -                   | 6,676,500            |
| 2033        | -                   | 1,398,766            |
|             | <u>\$ 725,000</u>   | <u>\$ 24,851,966</u> |



**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 5 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**Agreement with Green Valley Ranch Metropolitan District**

The District entered into an intergovernmental agreement with Green Valley Ranch Metropolitan District (GVRMD) for the sharing of landscape maintenance services for approximately 92,233 square feet of property within the boundaries of GVRMD. Effective January 1, 2012, the District shall provide landscape maintenance services to the property for an annual cost of \$16,617 and increased annually by 2% through 2016. Payment is due from GVRMD by April 1 of each year. The term of the agreement shall be through December 31, 2016, and thereafter for consecutive five-year periods. The annual schedule of landscape costs shall be adjusted for each five-year period as needed to reflect then-current market conditions.

**NOTE 6 - INTERFUND AND OPERATING TRANSFERS**

The transfer of \$847,324 from the General Fund to Debt Service Fund was to increase the availability of funds to satisfy debt obligations.

**NOTE 7 - NET POSITION**

The District has net position consisting of two components - restricted and unrestricted.

The restricted component of net position consists of assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2012, the District had restricted net position as follows:

|                                   | <b>Governmental<br/>Activities</b> |
|-----------------------------------|------------------------------------|
| Restricted net position:          |                                    |
| Emergency reserve                 | \$ 27,000                          |
| Revenues pledged for debt service | (245,672)                          |
| Conservation Trust Fund           | 4                                  |
| Total restricted net position     | \$ (218,668)                       |

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 7 - NET POSITION (CONTINUED)**

The District's unrestricted net position as of December 31, 2012 is \$(73,510,772). In the current and previous years, the District transferred bond proceeds to Town for the construction of facilities benefiting both Districts pursuant to the Regional Facilities Construction Agreements. The long-term debt which funded the construction of these facilities remains an obligation of the District.

**NOTE 8 - RELATED PARTIES**

The developer of the property which constitutes the District is HC Development & Management Services, Inc. (HC Development), a Colorado corporation. The shareholders of HC Development own and control entities that, in turn, own Oakwood Homes LLC (Oakwood), a Colorado limited liability company. One of the members of the Board of Directors is an employee of Oakwood and/or HC Development. One board member serves as legal counsel for HC Development and Oakwood. As such, these board members may have conflicts of interest in dealing with the District.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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 but not limited to the interpretation of how to calculate Fiscal Year Spending and other limits, will require judicial interpretation.

On November 3, 1998, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

**NOTE 11 - SUBDISTRICTS**

During 2003, the Board of Directors of the District by resolution allowed for the division of the District into one or more subareas. Ebert Metropolitan District Subdistrict No. 1 was established on September 10, 2003, and Ebert Metropolitan District Subdistrict No. 2 was established on December 10, 2003. Different rates of levy for property tax purposes may be fixed against all the taxable property within the Subdistricts for operations and/or repayment of indebtedness issued by the Subdistricts to finance services, programs, and facilities furnished or to be furnished within the Subdistricts.

**EBERT METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 11 - SUBDISTRICTS (CONTINUED)**

The electors of Subdistrict No. 1 at an election held on November 4, 2003, approved authorization to increase property taxes up to \$400,000 annually, as necessary, to pay for the costs of constructing, operating, and maintaining the improvements within and/or benefiting the Subdistrict. Debt authorization was also approved in the amount of \$2,000,000 for street improvements, \$16,000,000 for executing intergovernmental agreements, and \$20,000,000 for debt refunding. The electors of Subdistrict No. 2 at an election held on May 4, 2004, authorized \$2,000,000 of indebtedness for street improvements, \$16,000,000 for executing intergovernmental agreements, \$20,000,000 for debt refunding, and an increase in property taxes of up to \$400,000 annually for capital, operations, maintenance, and other expenses.

As of December 31, 2012, there has been no financial activity in either of the Subdistricts.

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

**SUPPLEMENTARY INFORMATION**

**EBERT METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2012**

|                                                                                                                        | <u>Budget<br/>Amounts<br/>Original<br/>and Final</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------|-------------------------------------------------------------------|
| <b>REVENUES</b>                                                                                                        |                                                      |                           |                                                                   |
| Property taxes                                                                                                         | \$ 3,333,498                                         | \$ 3,308,350              | \$ (25,148)                                                       |
| Specific ownership taxes                                                                                               | 183,300                                              | 223,397                   | 40,097                                                            |
| Net investment income                                                                                                  | 3,000                                                | 1,835                     | (1,165)                                                           |
| Total revenues                                                                                                         | <u>3,519,798</u>                                     | <u>3,533,582</u>          | <u>13,784</u>                                                     |
| <b>EXPENDITURES</b>                                                                                                    |                                                      |                           |                                                                   |
| County Treasurer's fees                                                                                                | 33,330                                               | 33,047                    | 283                                                               |
| Interest - Series 2007 bonds                                                                                           | 4,622,730                                            | 4,622,730                 | -                                                                 |
| Paying agent fees                                                                                                      | 3,500                                                | 4,000                     | (500)                                                             |
| Contingency                                                                                                            | 440                                                  | -                         | 440                                                               |
| Total expenditures                                                                                                     | <u>4,660,000</u>                                     | <u>4,659,777</u>          | <u>223</u>                                                        |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b>                                                                | <u>(1,140,202)</u>                                   | <u>(1,126,195)</u>        | <u>14,007</u>                                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                                                                                  |                                                      |                           |                                                                   |
| Transfer from other funds                                                                                              | 1,103,200                                            | 847,324                   | (255,876)                                                         |
| Total other financing sources                                                                                          | <u>1,103,200</u>                                     | <u>847,324</u>            | <u>(255,876)</u>                                                  |
| <b>EXCESS OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER<br/>(UNDER) EXPENDITURES AND<br/>OTHER FINANCING (USES)</b> | (37,002)                                             | (278,871)                 | (241,869)                                                         |
| <b>FUND BALANCES -<br/>BEGINNING OF YEAR</b>                                                                           | <u>3,038,761</u>                                     | <u>3,033,199</u>          | <u>(5,562)</u>                                                    |
| <b>FUND BALANCES - END OF YEAR</b>                                                                                     | <u>\$ 3,001,759</u>                                  | <u>\$ 2,754,328</u>       | <u>\$ (247,431)</u>                                               |

**EBERT METROPOLITAN DISTRICT  
 CONSERVATION TRUST FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 Year Ended December 31, 2012**

|                                                         | <u>Budget Amounts</u> |               | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------------------------------|-----------------------|---------------|---------------------------|-------------------------------------------------------------------|
|                                                         | <u>Original</u>       | <u>Final</u>  |                           |                                                                   |
| <b>REVENUES</b>                                         |                       |               |                           |                                                                   |
| Conservation trust fund                                 | \$ 22,000             | \$ 34,000     | \$ 33,937                 | \$ (63)                                                           |
| Net investment income                                   | 5                     | 100           | 119                       | 19                                                                |
| Total revenues                                          | <u>22,005</u>         | <u>34,100</u> | <u>34,056</u>             | <u>(44)</u>                                                       |
| <b>EXPENDITURES</b>                                     |                       |               |                           |                                                                   |
| Transfer to Town Center                                 | 22,005                | 58,365        | 58,317                    | 48                                                                |
| Total expenditures                                      | <u>22,005</u>         | <u>58,365</u> | <u>58,317</u>             | <u>48</u>                                                         |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | -                     | (24,265)      | (24,261)                  | 4                                                                 |
| <b>FUND BALANCES -<br/>BEGINNING OF YEAR</b>            | <u>-</u>              | <u>24,265</u> | <u>24,265</u>             | <u>-</u>                                                          |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ -</u>           | <u>\$ -</u>   | <u>\$ 4</u>               | <u>\$ 4</u>                                                       |

**EBERT METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED  
December 31, 2012**

| <u>Year Ended<br/>December 31,</u>           | <u>Prior Year<br/>Assessed<br/>Valuation for<br/>Current Year<br/>Property<br/>Tax Levy</u> | <u>Mills Levied</u>        |                         | <u>Total Property Taxes</u> |                  | <u>Percentage<br/>Collected<br/>to Levied</u> |
|----------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------|-------------------------|-----------------------------|------------------|-----------------------------------------------|
|                                              |                                                                                             | <u>General<br/>Service</u> | <u>Debt<br/>Service</u> | <u>Levied</u>               | <u>Collected</u> |                                               |
| 2008                                         | \$ 62,155,660                                                                               | 17.000                     | 45.700                  | \$ 3,897,160                | \$ 3,894,032     | 99.92%                                        |
| 2009                                         | \$ 66,057,080                                                                               | 17.000                     | 52.700                  | \$ 4,604,178                | \$ 3,885,439     | 84.39% (A)                                    |
| 2010                                         | \$ 63,473,390                                                                               | 17.000                     | 58.000                  | \$ 4,760,504                | \$ 5,157,098     | 108.33% (A)                                   |
| 2011                                         | \$ 61,269,010                                                                               | 17.000                     | 58.000                  | \$ 4,595,176                | \$ 4,565,301     | 99.35%                                        |
| 2012                                         | \$ 56,128,260                                                                               | 17.000                     | 58.000                  | \$ 4,209,620                | \$ 4,177,281     | 99.23%                                        |
|                                              | \$ 1,345,840                                                                                | 0.000                      | 58.000                  | \$ 78,059 (B)               | \$ 78,059        | 100.00%                                       |
| Estimated for<br>year ending<br>December 31, |                                                                                             |                            |                         |                             |                  |                                               |
| 2013                                         | \$ 58,507,950                                                                               | 17.000                     | 58.000                  | \$ 4,388,096                |                  |                                               |
|                                              | \$ 1,348,700                                                                                | 0.000                      | 58.000                  | 78,225 (B)                  |                  |                                               |
|                                              |                                                                                             |                            |                         | <u>\$ 4,466,321</u>         |                  |                                               |

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

(A) Approximately \$585,000 of property taxes levied in collection year 2009 were not received by the District until March 2010.

(B) Represents property that has been excluded from the District, but is still subject to the District's debt service mill levy.



**EBERT METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2012**

| <b>\$87,830,000</b>                    |                                 |                      |                       |
|----------------------------------------|---------------------------------|----------------------|-----------------------|
| <b>Limited Tax General Obligation</b>  |                                 |                      |                       |
| <b>Refunding and Improvement Bonds</b> |                                 |                      |                       |
| <b>Dated December 6, 2007</b>          |                                 |                      |                       |
| <b>Interest Rate at 5.00%-5.35%</b>    |                                 |                      |                       |
| <b>Payable Semiannually</b>            |                                 |                      |                       |
| <b>on June 1 and December 1</b>        |                                 |                      |                       |
| <b>Year Ended</b>                      | <b>Principal Due December 1</b> |                      | <b>Total</b>          |
| <b>December 31,</b>                    | <b>Principal</b>                | <b>Interest</b>      |                       |
| 2013                                   | \$ 75,000                       | \$ 4,622,730         | \$ 4,697,730          |
| 2014                                   | 375,000                         | 4,618,980            | 4,993,980             |
| 2015                                   | 850,000                         | 4,600,230            | 5,450,230             |
| 2016                                   | 1,225,000                       | 4,557,730            | 5,782,730             |
| 2017                                   | 1,430,000                       | 4,496,480            | 5,926,480             |
| 2018                                   | 1,740,000                       | 4,424,980            | 6,164,980             |
| 2019                                   | 1,930,000                       | 4,337,980            | 6,267,980             |
| 2020                                   | 2,250,000                       | 4,241,480            | 6,491,480             |
| 2021                                   | 2,380,000                       | 4,128,980            | 6,508,980             |
| 2022                                   | 2,620,000                       | 4,009,980            | 6,629,980             |
| 2023                                   | 2,755,000                       | 3,878,980            | 6,633,980             |
| 2024                                   | 3,020,000                       | 3,735,720            | 6,755,720             |
| 2025                                   | 3,180,000                       | 3,578,680            | 6,758,680             |
| 2026                                   | 3,470,000                       | 3,413,320            | 6,883,320             |
| 2027                                   | 3,650,000                       | 3,232,880            | 6,882,880             |
| 2028                                   | 3,970,000                       | 3,043,080            | 7,013,080             |
| 2029                                   | 4,185,000                       | 2,830,685            | 7,015,685             |
| 2030                                   | 4,540,000                       | 2,606,787            | 7,146,787             |
| 2031                                   | 4,785,000                       | 2,363,898            | 7,148,898             |
| 2032                                   | 5,175,000                       | 2,107,900            | 7,282,900             |
| 2033                                   | 5,455,000                       | 1,831,037            | 7,286,037             |
| 2034                                   | 5,880,000                       | 1,539,195            | 7,419,195             |
| 2035                                   | 6,195,000                       | 1,224,615            | 7,419,615             |
| 2036                                   | 6,670,000                       | 893,183              | 7,563,183             |
| 2037                                   | 10,025,000                      | 536,337              | 10,561,337            |
|                                        | <u>\$ 87,830,000</u>            | <u>\$ 80,855,847</u> | <u>\$ 168,685,847</u> |

**CONTINUING DISCLOSURE**  
**ANNUAL FINANCIAL INFORMATION**  
**(UNAUDITED)**

**EBERT METROPOLITAN DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION  
December 31, 2012  
(UNAUDITED)**

**Ten Largest Owners of Taxable Property of the District (1)**

| <b>Taxpayer Name</b>                 | <b>2012 Assessed<br/>Valuation</b> | <b>Percentage of<br/>Total Assessed<br/>Valuation</b> |
|--------------------------------------|------------------------------------|-------------------------------------------------------|
| HC Land Investments LLC (2)          | \$ 11,359,620                      | 19.42%                                                |
| GDC Green Valley LLC                 | 2,081,140                          | 3.56%                                                 |
| Yampa-Telluride Land Investments LLC | 1,566,110                          | 2.68%                                                 |
| Dillon Companies Inc.                | 1,530,740                          | 2.62%                                                 |
| NH GVR LLC                           | 1,390,900                          | 2.38%                                                 |
| Tower Road Farms LLC                 | 538,610                            | 0.92%                                                 |
| Green Valley Lot 8B LLC              | 255,460                            | 0.44%                                                 |
| King Soopers Inc.                    | 240,940                            | 0.41%                                                 |
| 7-ELEVEN Inc.                        | 238,400                            | 0.40%                                                 |
| GJMAK Inc.                           | 167,510                            | 0.28%                                                 |
| All Others                           | 39,138,520                         | 66.89%                                                |
|                                      | <u>\$ 58,507,950</u>               | <u>100.00%</u>                                        |

(1) Based upon information furnished by the City and County of Denver.

(2) The Developer and entities related to the Developer.

**2012 Assessed Valuation of Classes of Property of the District**

| <b>Class</b>      | <b>2012 Assessed<br/>Valuation</b> | <b>Percentage of<br/>Total Assessed<br/>Valuation</b> |
|-------------------|------------------------------------|-------------------------------------------------------|
| Residential       | \$ 36,909,490                      | 63.09%                                                |
| Vacant land       | 11,470,900                         | 19.61%                                                |
| Commercial        | 6,953,190                          | 11.88%                                                |
| State assessed    | 1,515,800                          | 2.59%                                                 |
| Personal property | 1,658,370                          | 2.83%                                                 |
| Other             | 200                                | 0.00%                                                 |
|                   | <u>\$ 58,507,950</u>               | <u>100.00%</u>                                        |

(Continued)

**EBERT METROPOLITAN DISTRICT**  
**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION**  
**December 31, 2012**  
**(UNAUDITED)**  
**(Continued)**

**Selected Debt Ratios of the District**

|                                                        |                |
|--------------------------------------------------------|----------------|
| Direct Debt                                            | \$ 87,830,000  |
| 2012 District Assessed Valuation                       | \$ 58,507,950  |
| Direct Debt to 2012 Assessed Valuation                 | 150.12%        |
| 2012 District Estimated Statutory "Actual" Value (1)   | \$ 538,164,509 |
| Direct Debt to 2012 Estimated Statutory "Actual" Value | 16.32%         |

(1) This figure has been calculated using a statutory formula under which assessed valuation is calculated at 7.96% of the statutory "actual" value of residential property in the District and 29% of the statutory "actual" value of other property within the District (with certain specified exceptions). Statutory "actual" value is not intended to represent market value.