

**WILLOW BROOK
METROPOLITAN DISTRICT
Summit County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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SCHILLING & COMPANY, INC.

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Independent Auditor's Report

Board of Directors
Willow Brook Metropolitan District
Summit County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Willow Brook Metropolitan District (District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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, the business-type activities and each major fund of Willow Brook 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

Required Supplementary Information

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
June 21, 2013

BASIC FINANCIAL STATEMENTS

WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 224,487	\$ -	\$ 224,487
Accounts Receivable:			
Customer	2,121	8,219	10,340
County treasurer	464	299	763
Due from business-type activities	2,861	-	2,861
Property taxes receivable	174,998	129,999	304,997
Prepaid expenses	5,249	-	5,249
Capital assets, not being depreciated	11,760	40,466	52,226
Capital assets, net of accumulated depreciation	144,077	754,681	898,758
Total assets	<u>566,017</u>	<u>933,664</u>	<u>1,499,681</u>
LIABILITIES			
Accounts payable	7,296	16,538	23,834
Deposits	5,000	-	5,000
Due to governmental activities	-	2,861	2,861
Total liabilities	<u>12,296</u>	<u>19,399</u>	<u>31,695</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	174,998	129,999	304,997
Total deferred inflows of resources	<u>174,998</u>	<u>129,999</u>	<u>304,997</u>
NET POSITION			
Net investment in capital assets	155,837	795,147	950,984
Restricted for emergencies	5,600	3,200	8,800
Restricted for parks and recreation	1,546	-	1,546
Unrestricted	215,740	(14,081)	201,659
Total net position	<u>\$ 378,723</u>	<u>\$ 784,266</u>	<u>\$ 1,162,989</u>

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

WILLOW BROOK 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	Business-type Activities	Total
Governmental activities:							
General government	\$ 198,080	\$ 15,933	\$ -	\$ -	\$ (182,147)	\$ -	\$ (182,147)
	198,080	15,933	-	-	(182,147)	-	(182,147)
Business-type activities:							
Water	82,327	34,734	-	-	-	(47,593)	(47,593)
	82,327	34,734	-	-	-	(47,593)	(47,593)
Total	\$ 280,407	\$ 50,667	\$ -	\$ -	(182,147)	(47,593)	(229,740)
General revenues:							
Taxes:							
Property taxes				158,490		101,786	260,276
Specific ownership taxes				6,492		4,184	10,676
Conservation Trust Funds				125		-	125
Net investment income				1,940		73	2,013
Miscellaneous				574		50	624
Total general revenues				167,621		106,093	273,714
Change in net position				(14,526)		58,500	43,974
Net position - Beginning				393,249		725,766	1,119,015
Net position - Ending				\$ 378,723		\$ 784,266	\$ 1,162,989

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

**WILLOW BROOK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2012**

	General
ASSETS	
Cash and cash equivalents	\$ 224,487
Accounts Receivable:	
Customer	2,121
County treasurer	464
Due from Water Fund	2,861
Property taxes receivable	174,998
Prepaid expenses	5,249
TOTAL ASSETS	\$ 410,180
 LIABILITIES	
Accounts payable	\$ 7,296
Deposits	5,000
TOTAL LIABILITIES	12,296
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	174,998
TOTAL DEFERRED INFLOWS OF RESOURCES	174,998
 FUND BALANCE	
Nonspendable:	
Prepaid expenditures	5,249
Spendable:	
Restricted:	
Emergency reserves	5,600
Parks and recreation	1,546
Unassigned	210,491
TOTAL FUND BALANCE	222,886
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net	155,837
Net position of governmental activities	\$ 378,723

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2012**

	General
REVENUES	
Property tax	\$ 158,490
Specific ownership tax	6,492
Conservation Trust Funds	125
Trash service	6,851
Stable	6,290
Net investment income	1,940
Weed program	2,792
Miscellaneous	574
Total revenues	183,554
 EXPENDITURES	
General government:	
Current:	
Accounting and management	35,172
Audit	8,762
County Treasurer's fees	7,930
Election	6,774
Insurance and dues	4,960
Legal	884
Miscellaneous	1,470
Office supplies	230
Repairs and maintenance -	
Gate maintenance	2,636
Meadow maintenance - non-stable	2,650
Road maintenance	50,156
Stable and stable meadow maintenance	10,822
Weed maintenance	6,590
Snow plowing	21,155
Trash removal	8,652
Utilities	2,525
Capital outlay:	
Bridge improvements	77,674
Total expenditures	249,042
 NET CHANGE IN FUND BALANCE	 (65,488)
 FUND BALANCE - BEGINNING OF YEAR	 288,374
FUND BALANCE - END OF YEAR	\$ 222,886

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

**WILLOW BROOK METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2012**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ (65,488)</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	77,674
Depreciation	<u>(26,712)</u>
	<u>50,962</u>
Change in net position - governmental activities	<u><u>\$ (14,526)</u></u>

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

WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original-Final</u>	<u>Actual</u>	
REVENUES			
Property tax	\$ 158,488	\$ 158,490	\$ 2
Specific ownership tax	6,000	6,492	492
Conservation Trust Funds	300	125	(175)
Trash service	6,752	6,851	99
Stable and meadow fees	54,206	6,290	(47,916)
Net investment income	-	1,940	1,940
Weed program	2,250	2,792	542
Miscellaneous	500	574	74
Total Revenues	<u>228,496</u>	<u>183,554</u>	<u>(44,942)</u>
EXPENDITURES			
General government:			
Accounting and management	24,300	35,172	(10,872)
Audit	7,900	8,762	(862)
County Treasurer's fees	7,533	7,930	(397)
Election	5,000	6,774	(1,774)
Insurance and dues	5,500	4,960	540
Legal	5,000	884	4,116
Miscellaneous	-	1,470	(1,470)
Office supplies	1,550	230	1,320
Repairs and maintenance -			
Gate maintenance	4,000	2,636	1,364
Meadow maintenance - non-stable	9,000	2,650	6,350
Road maintenance	38,000	50,156	(12,156)
Stable and stable meadow maintenance	40,020	10,822	29,198
Weed maintenance	7,000	6,590	410
Snow plowing	28,000	21,155	6,845
Trash removal	6,300	8,652	(2,352)
Utilities	1,949	2,525	(576)
Wildfire fuel reduction	2,000	-	2,000
Emergency reserve	8,492	-	8,492
Other/contingency	10,000	-	10,000
Capital outlay:			
Road improvements	25,000	-	25,000
Common area improvements	5,000	-	5,000
Bridge improvements	50,000	77,674	(27,674)
Total Expenditures	<u>291,544</u>	<u>249,042</u>	<u>42,502</u>
NET CHANGE IN FUND BALANCE	(63,048)	(65,488)	(2,440)
FUND BALANCE - BEGINNING OF YEAR	173,013	288,374	115,361
FUND BALANCE - END OF YEAR	<u>\$ 109,965</u>	<u>\$ 222,886</u>	<u>\$ 112,921</u>

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2012**

	Water
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ -
Accounts Receivable:	
Customer	8,219
County treasurer	299
Property taxes receivable	129,999
Total current assets	138,517
CAPITAL ASSETS	
Capital assets, not being depreciated	40,466
Capital assets, being depreciated	1,397,387
	1,437,853
Less accumulated depreciation and amortization	(642,706)
Total capital assets	795,147
TOTAL ASSETS	\$ 933,664
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 16,538
Due to General Fund	2,861
Total current liabilities	19,399
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	129,999
Total deferred inflows of resources	129,999
 NET POSITION	
Net investment in capital assets	795,147
Restricted for emergencies	3,200
Unrestricted	(14,081)
Total net position	784,266
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 933,664

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
Year Ended December 31, 2012**

	Water
OPERATING REVENUE	
Service charges	\$ 34,734
Miscellaneous	50
Total operating revenue	34,784
OPERATING EXPENSES	
Maintenance contract	21,195
Repairs and maintenance	2,675
Utilities	5,851
Water billing	2,757
Water testing	828
Depreciation	34,139
Total operating expenses	67,445
OPERATING LOSS	(32,661)
NONOPERATING REVENUE AND (EXPENSES)	
Property taxes	101,786
Specific ownership taxes	4,184
Net investment income	73
County Treasurer's fees	(5,092)
Loss on disposal of capital assets	(9,790)
Total nonoperating revenue (expense)	91,161
CHANGE IN NET POSITION	58,500
NET POSITION - BEGINNING OF YEAR	725,766
NET POSITION - END OF YEAR	\$ 784,266

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2012**

	Water
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 34,699
Payments to vendors	(32,613)
Net cash provided by operating activities	2,086
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Property and specific ownership taxes received	106,039
County treasurer's fees paid	(5,092)
Acquisition of capital assets	(129,181)
Net cash required by capital financing activities	(28,234)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	73
Net cash provided by investing activities	73
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,075)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	26,075
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Net (loss) from operations	\$ (32,661)
Adjustments to reconcile net (loss) from operations to net cash provided by operating activities:	
Depreciation	34,139
Effects of changes in operating assets and liabilities:	
Accounts receivable	(85)
Prepaid expense	2,393
Accounts payable	(4,561)
Due to General Fund	2,861
Net cash provided by operating activities	\$ 2,086

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

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Willow Brook Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Summit County, Colorado. The District was established to provide water, recreation, and street maintenance services within its boundaries.

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

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.

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. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

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 liabilities and deferred inflows of resources 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.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities. Tap fees are recorded as capital contributions when received.

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 and trash service fees. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

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 District reports the following major proprietary fund:

The Water Fund accounts for the water operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 Board of Directors modified the appropriation from \$162,235 to \$169,800 in the Water 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 funds' average equity balance in total cash.

Investments are carried at fair value.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Customer Accounts Receivable

Due to the broad powers of collection, no allowance for uncollectible customer accounts receivable has been reported.

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 30 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

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include land, water rights, road improvements, bridge improvements, buildings and improvements, and water system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Road improvements	5 years
Buildings and improvements	10 – 30 years
Bridge improvements	30 years
Water system and equipment	3 – 40 years

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

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

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

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

Cash and cash equivalents	<u>\$ 224,487</u>
---------------------------	-------------------

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

Deposits with financial institutions	\$ 30,221
Investments - COLOTRUST	<u>194,266</u>
	<u>\$ 224,487</u>

Cash Deposits

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 equal to 102% of the aggregate uninsured deposits.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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's cash deposits had a bank balance of \$36,648 and carrying balance of \$30,221.

Investments

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

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

Interest Rate Risk

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.

At December 31, 2012, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 194,266</u>

COLOTRUST

At December 31, 2012, the District has invested \$194,266 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

money market fund and each share is equal in value to \$1.00. COLOTRUST is rated AAAM by Standard and Poor's.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer, however, the District invests primarily in local government investment pools, which are not subject to concentration of credit risk.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2012 follows:

Governmental activities:	Balance at December 31, 2011	Additions	Disposals/ Retirements	Balance at December 31, 2012
Capital assets, not being depreciated:				
Land	\$ 11,760	\$ -	\$ -	\$ 11,760
Total capital assets, not being depreciated	11,760	-	-	11,760
Capital assets, being depreciated:				
Road improvements	114,147	-	-	114,147
Bridge improvements	-	77,674	-	77,674
Buildings and improvements	155,117	-	-	155,117
Total capital assets being depreciated	269,264	77,674	-	346,938
Less accumulated depreciation for:				
Road improvements	(69,238)	(17,829)	-	(87,067)
Bridge improvements	-	(1,295)	-	(1,295)
Buildings and improvements	(106,911)	(7,588)	-	(114,499)
Total accumulated depreciation	(176,149)	(26,712)	-	(202,861)
Total capital assets being depreciated, net	93,115	50,962	-	144,077
Total capital assets, net	\$ 104,875	\$ 50,962	\$ -	\$ 155,837

Depreciation of the governmental activities is charged to the general government function/program.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Business-type activities:	Balance at December 31, 2011	Additions	Disposals/ Retirements	Balance at December 31, 2012
Capital assets, not being depreciated:				
Water rights	\$ 40,466	\$ -	\$ -	\$ 40,466
Total capital assets, not being depreciated	40,466	-	-	40,466
Capital assets, being depreciated:				
Water system	1,304,137	129,181	(35,931)	1,397,387
Total capital assets being depreciated	1,304,137	129,181	(35,931)	1,397,387
Less accumulated depreciation for:				
Water system	(634,708)	(34,139)	26,141	(642,706)
Total accumulated depreciation	(634,708)	(34,139)	26,141	(642,706)
Total capital assets being depreciated, net	669,429	95,042	(9,790)	754,681
Total capital assets, net	<u>\$ 709,895</u>	<u>\$ 95,042</u>	<u>\$ (9,790)</u>	<u>\$ 795,147</u>

Depreciation of the business-type activities is charged to the water function/program.

NOTE 5 – INTERGOVERNMENTAL AGREEMENT

Town of Silverthorne

On June 1, 1995, the District entered into an intergovernmental agreement to purchase treated water from the Town of Silverthorne (the Town). The District agreed to purchase 28 water taps for original residences at a cost of \$2,800 per tap totaling \$78,400. The final payment was made in 1999. Any future water taps purchased will be charged at the Town's existing published rates for Town residents. The District has built the connection to the Town's water system, including a master meter and will purchase water necessary to supplement the District's supply. The District is responsible for reading customer meters within the District and billing customers for water used. The District will be charged at the rate of 1-1/2 times the rate for the Town's residents and will be billed by the Town quarterly for each quarter of the calendar year during which water is actually delivered to the District.

NOTE 6 – FUND EQUITY

At December 31, 2012, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$5,249 is comprised of prepaid amounts which are not in spendable form.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 – FUND EQUITY (CONTINUED)

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$5,600 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

The restricted fund balance in the General Fund in the amount of \$1,546 is to be used exclusively for parks and recreation.

NOTE 7 - NET POSITION

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2012, the District had net investment in capital assets of \$950,984, comprised of \$155,837 in the governmental activities and \$795,147 in the business-type activities.

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2012 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Restricted net position:			
Emergency reserves (see Note 9)	\$ 5,600	\$ 3,200	\$ 8,800
Parks and recreation (Conservation Trust Funds)	1,546	-	1,546
	<u>\$ 7,146</u>	<u>\$ 3,200</u>	<u>\$ 10,346</u>

The District's unrestricted net position at December 31, 2012 totaled \$201,659, comprised of \$215,740 in the governmental activities and (\$14,081) in the business-type activities.

NOTE 8 - 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.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 8 - RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property, public officials' liability, boiler and machinery, 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.

NOTE 9 - 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 that 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.

On November 7, 1996, the eligible electors of the District authorized the District to: (1) collect in fiscal year 1996 and subsequent fiscal years thereafter additional property tax revenue from its mill levy, without an increase in the rate thereof, and from specific ownership taxes, interest income, and any other income of the District in excess of the rate of inflation in the prior calendar year plus annual local growth, and in excess of 105.5 percent of the property tax revenue of the District collected in the respective prior fiscal year for general operating and maintenance expenditures; and (2) implement and increase in fiscal year spending greater than the rate of inflation in the respective prior calendar year plus annual local growth, as described in (1).

On May 4, 2010, the eligible electors of the District approved the following ballot measure:

Shall Willow Brook Metropolitan District taxes be increased \$140,000 annually commencing in 2010, and by whatever amount of revenue is generated annually in 2011 and every year thereafter until 2021, by the imposition of a capital expenditures mill levy of 17.474 mills (which levy shall be in addition to any other mill levy imposed by the District) said levy to be adjusted up or down to account for any general reassessment of taxable property valuations by Summit County or legislative or constitutional changes in the method or percentage for calculating District assessed values, and in each year imposed at a rate determined by the board of directors of the District within such limitations; and shall the proceeds from such mill levy be allocated and restricted so that the proceeds shall be budgeted and spent solely to pay the costs of such water system

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

improvements, repairs, replacements, extensions, additions and acquisitions (including the repayment of any debt issued to pay said costs, and including appurtenant land and easements) as the board deems necessary or proper; and shall the proceeds of such taxes and investment income thereon constitute voter-approved revenue changes and be collected and spent by the District each year, without limiting or affecting the collection or expenditure of other revenues, and without regard to any spending, revenue-raising, tax reduction or other limitation contained within Article X, Section 20 of the Colorado Constitution, Section 29-1-301, Colorado Revised Statutes, or any other applicable law?

On May 8, 2012, the eligible electors of the District approved the following ballot measure:

Shall Willow Brook Metropolitan District taxes be increased \$210,000 annually in 2012 (representing total income of \$210,000 bringing the District back to 2012 collections), and by that amount plus inflation and local growth in every year thereafter, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses; such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the District Board, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be determined by the District Board; and shall the proceeds of such taxes and investment income thereon constitute a voter-approved revenue change in 2013 and each year thereafter and be collected and spent by the District each year, without limiting or affecting the collection or expenditure of other revenues and without regard to any spending, revenue-raising, tax reduction or other limitation contained within Article X, Section 20 of the Colorado Constitution, Section 29-1-301, Colorado Revised Statutes, or any other applicable law?

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

NOTE 10 – NEW GASB STANDARDS

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 10 – NEW GASB STANDARDS (CONTINUED)

statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* – GASBS 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 and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Although this Statement is effective for periods beginning after December 15, 2012, the District elected to early implement it in fiscal year 2012 in conjunction with the implementation of GASBS No. 63.

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

SUPPLEMENTAL INFORMATION

WILLOW BROOK METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER FUND
Year Ended December 31, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 101,786	\$ 101,786	\$ 101,786	\$ -
Specific ownership taxes	4,000	4,000	4,184	184
Service charges	40,000	40,000	34,734	(5,266)
Tap fees agreement	6,400	6,400	-	(6,400)
Meter sales	600	600	-	(600)
Net investment income	500	500	73	(427)
Miscellaneous	-	-	50	50
Total Revenues	<u>153,286</u>	<u>153,286</u>	<u>140,827</u>	<u>(12,459)</u>
EXPENDITURES				
County Treasurer's fees	4,383	5,100	5,092	8
Maintenance contract	21,698	21,700	21,195	505
Repairs and maintenance	7,500	3,000	2,675	325
Tap fee agreement	6,400	-	-	-
Utilities	4,456	6,000	5,851	149
Water billing	9,600	3,000	2,757	243
Water testing	600	1,000	828	172
Engineering , planning and construction mgt	15,600	-	-	-
Water system improvements	82,000	130,000	129,181	819
Contingency	9,998	-	-	-
Total Expenditures	<u>162,235</u>	<u>169,800</u>	<u>167,579</u>	<u>2,221</u>
NET CHANGE IN FUND BALANCE	(8,949)	(16,514)	(26,752)	(10,238)
FUNDS AVAILABLE - BEGINNING OF YEAR	29,396	29,396	15,871	(13,525)
FUNDS AVAILABLE - END OF YEAR	<u>\$ 20,447</u>	<u>\$ 12,882</u>	<u>\$ (10,881)</u>	<u>\$ (23,763)</u>

Funds available is computed as follows:

Current assets	\$ 138,517
Current liabilities and deferred inflows of resources	(149,398)
	<u>\$ (10,881)</u>

**WILLOW BROOK METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2012**

Revenue (budgetary basis)	<u>\$</u>	140,827
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>140,827</u>
Expenditures (budgetary basis)		167,579
Depreciation		34,139
Capital outlay - water system improvements		(129,181)
Loss on disposition of assets		<u>9,790</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position		<u>82,327</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>\$</u>	<u>58,500</u>