

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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**Independent Auditor's Report**

Board of Directors  
Willow Brook Metropolitan District  
Summit County, Colorado

We have audited the accompanying basic financial statements of the governmental activities, business-type activities and each major fund of Willow Brook Metropolitan District (District) as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Willow Brook Metropolitan District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Willow Brook Metropolitan District, as of December 31, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willow Brook Metropolitan District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*SCHILLING & COMPANY, INC.*

October 25, 2010

## **BASIC FINANCIAL STATEMENTS**

**WILLOW BROOK METROPOLITAN DISTRICT**  
**STATEMENT OF NET ASSETS**  
**December 31, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 328,325	\$ 255,344	\$ 583,669
Accounts Receivable:			
Customer	1,940	5,107	7,047
County treasurer	184	120	304
Property taxes receivable	208,650	116,050	324,700
Prepaid expenses	4,772	-	4,772
Capital assets, not being depreciated	11,760	40,466	52,226
Capital assets, net of accumulated depreciation	103,588	588,276	691,864
Total assets	<u>659,219</u>	<u>1,005,363</u>	<u>1,664,582</u>
<b>LIABILITIES</b>			
Accounts payable	18,368	2,428	20,796
Deposits	5,000	-	5,000
Accrued interest payable	-	1,369	1,369
Deferred property taxes	208,650	116,050	324,700
Bonds payable			
Due within one year	-	30,000	30,000
Due in more than one year	-	235,000	235,000
Total liabilities	<u>232,018</u>	<u>384,847</u>	<u>616,865</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	115,348	363,742	479,090
Restricted for emergencies	5,900	3,200	9,100
Restricted for parks and recreation	691	-	691
Unrestricted	305,262	253,574	558,836
Total net assets	<u>\$ 427,201</u>	<u>\$ 620,516</u>	<u>\$ 1,047,717</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, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 212,378	\$ 48,197	\$ -	\$ -	\$ (164,181)	\$ -	\$ (164,181)
	<u>212,378</u>	<u>48,197</u>	<u>-</u>	<u>-</u>	<u>(164,181)</u>	<u>-</u>	<u>(164,181)</u>
Business-type activities:							
Water	116,904	18,458	-	-	-	(98,446)	(98,446)
	<u>116,904</u>	<u>18,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,446)</u>	<u>(98,446)</u>
Total	\$ 329,282	\$ 66,655	\$ -	\$ -	\$ (164,181)	\$ (98,446)	\$ (262,627)

General revenues:

Taxes:

Property taxes	181,547	101,123	282,670
Specific ownership taxes	8,553	4,755	13,308
Conservation Trust Funds	291	-	291
Net investment income	1,681	1,124	2,805
Miscellaneous	3,244	-	3,244
Total general revenues	<u>195,316</u>	<u>107,002</u>	<u>302,318</u>
Change in net assets	31,135	8,556	39,691
Net assets - Beginning	396,066	611,960	1,008,026
Net assets - Ending	<u>\$ 427,201</u>	<u>\$ 620,516</u>	<u>\$ 1,047,717</u>

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, 2009**

	<b>General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 328,325
Accounts Receivable:	
Customer	1,940
County treasurer	184
Property taxes receivable	208,650
Prepaid expenses	4,772
<b>TOTAL ASSETS</b>	<b>\$ 543,871</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 18,368
Deposits	5,000
Deferred tax revenues	208,650
<b>TOTAL LIABILITIES</b>	<b>232,018</b>
 <b>FUND BALANCE</b>	
Reserved:	
Emergencies	5,900
Parks and recreation	691
Prepaid expenditures	4,772
Unreserved:	
Designated for subsequent year's expenditures	60,306
Undesignated	240,184
<b>TOTAL FUND BALANCE</b>	<b>311,853</b>
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	115,348
Net assets of governmental activities	<b>\$ 427,201</b>

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, 2009**

	<b>General</b>
<b>REVENUES</b>	
Property tax	\$ 181,547
Specific ownership tax	8,553
Conservation Trust Funds	291
Trash service	6,175
Stable	42,022
Net investment income	1,681
Miscellaneous	3,244
Total revenues	243,513
 <b>EXPENDITURES</b>	
General government:	
Current:	
Utilities	2,874
Snow plowing	28,125
Repairs and maintenance	23,857
Trash removal	5,119
Stable and stable meadow maintenance	48,615
Meadow maintenance - non-stable	4,114
Common area improvements	8,320
County Treasurer's fees	9,088
Accounting audit	3,381
Legal	16,249
Management fee	23,212
Insurance	1,691
Office supplies	2,941
Engineering	3,200
Capital outlay:	
Road improvements	25,000
Total expenditures	205,786
 <b>NET CHANGE IN FUND BALANCES</b>	 37,727
 <b>FUND BALANCES - BEGINNING OF YEAR</b>	 274,126
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 311,853</b>

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, 2009**

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

Net change in fund balances - Total governmental funds		<u>\$ 37,727</u>
<p>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.</p>		
Capital outlay		25,000
Depreciation		<u>(31,592)</u>
		<u>(6,592)</u>
Change in net assets - Governmental activities		<u><u>\$ 31,135</u></u>

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

**WILLOW BROOK METROPOLITAN DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
December 31, 2009**

	<b>Water</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 255,344
Accounts Receivable:	
Customer	5,107
County treasurer	120
Property taxes receivable	116,050
Total current assets	376,621
<b>CAPITAL ASSETS</b>	
Capital assets, not being depreciated	40,466
Capital assets, being depreciated	1,207,599
	1,248,065
Less accumulated depreciation and amortization	(619,323)
Total capital assets	628,742
<b>TOTAL ASSETS</b>	\$ 1,005,363
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 2,428
Accrued interest payable	1,369
Deferred property taxes	116,050
Bonds payable - current	30,000
Total current liabilities	149,847
<b>NONCURRENT LIABILITIES</b>	
Bonds payable - noncurrent	235,000
Total noncurrent liabilities	235,000
Total liabilities	384,847
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	363,742
Restricted for emergencies	3,200
Unrestricted	253,574
Total net assets	620,516
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,005,363

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 ASSETS - PROPRIETARY FUND  
Year Ended December 31, 2009**

	<b>Water</b>
<b>OPERATING REVENUE</b>	
Service charges	\$ 18,458
Total operating revenue	18,458
 <b>OPERATING EXPENSES</b>	
Maintenance contract	20,419
Repairs and maintenance	24,054
Utilities	4,845
Testing fees	657
Tap agreement	66
Insurance	1,917
Accounting and audit	3,381
Management fee	7,560
Depreciation	30,558
Total operating expenses	93,457
 <b>OPERATING LOSS</b>	 (74,999)
 <b>NONOPERATING REVENUE AND (EXPENSES)</b>	
Property taxes	101,123
Specific ownership taxes	4,755
Net investment income	1,124
County Treasurer's fees	(5,062)
Bond interest	(18,135)
Paying agent fees	(250)
Total nonoperating revenue (expense)	83,555
 <b>CHANGE IN NET ASSETS</b>	 8,556
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 611,960
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 620,516</b>

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, 2009**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Property tax	\$ 182,950	\$ 181,547	\$ (1,403)
Specific ownership tax	14,500	8,553	(5,947)
Conservation Trust Funds	500	291	(209)
Trash service	6,300	6,175	(125)
Stable	40,000	42,022	2,022
Net investment income	-	1,681	1,681
Grant income	2,500	-	(2,500)
Miscellaneous	2,250	3,244	994
Total Revenues	249,000	243,513	(5,487)
<b>EXPENDITURES</b>			
General government:			
Utilities	2,500	2,874	(374)
Snow plowing	31,500	28,125	3,375
Repairs and maintenance	29,311	23,857	5,454
Trash removal	5,082	5,119	(37)
Stable and stable meadow maintenance	39,009	48,615	(9,606)
Meadow maintenance - non-stable	5,698	4,114	1,584
Common area improvements	9,500	8,320	1,180
County Treasurer's fees	8,936	9,088	(152)
Accounting audit	3,750	3,381	369
Legal	5,000	16,249	(11,249)
Management fee	22,680	23,212	(532)
Insurance	2,500	1,691	809
Office supplies	2,400	2,941	(541)
Engineering	-	3,200	(3,200)
Construction damage deposit refund	5,000	-	5,000
Contingency	72,500	-	72,500
Capital outlay:			
Road improvements	29,000	25,000	4,000
Total Expenditures	274,366	205,786	68,580
<b>NET CHANGE IN FUND BALANCE</b>	(25,366)	37,727	63,093
<b>FUND BALANCE - BEGINNING OF YEAR</b>	272,567	274,126	1,559
<b>FUND BALANCE - END OF YEAR</b>	\$ 247,201	\$ 311,853	\$ 64,652

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, 2009**

	<b>Water</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 24,050
Payments to vendors	(62,917)
Net cash required by operating activities	(38,867)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Bond interest and paying agent fees paid	(18,540)
Bond principal paid	(30,000)
Net cash required by capital financing activities	(48,540)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Property and specific ownership taxes received	110,674
County treasurer's fees paid	(5,062)
Net cash provided by noncapital financing activities	105,612
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	1,124
Net cash provided by investing activities	1,124
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	19,329
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	236,015
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 255,344
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	
Net (loss) from operations	\$ (74,999)
Adjustments to reconcile net (loss) from operations to net cash required by operating activities:	
Depreciation	30,558
Effects of changes in operating assets and liabilities:	
Accounts receivable	5,592
Accounts payable	(18)
Net cash required by operating activities	\$ (38,867)

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, 2009**

**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 striate 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 assets 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 assets reports all financial and capital resources of the District, the difference between the assets and liabilities of the District being reported as net assets.

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

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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.

The District has elected to follow Governmental Accounting Standards Board pronouncements in the proprietary fund financial statements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

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.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

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.

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.

**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.



**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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 1 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 revenue in the year they are levied and measurable. The deferred 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, 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
Water system	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.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally segregated or are not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

The District considers all unreserved fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

**Reserved Fund Balance**

An amount of the general fund fund balance equal to the reported prepaid expenditures is reserved to indicate that the prepaid expenditures do not constitute spendable resources even though the prepaid expenditures are a component of net assets.

\$691 of the general fund fund balance equal to the unspent Conservation Trust Fund monies is reserved for further parks and recreation expenditures.

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). \$5,900 of the General Fund fund balance has been reserved in compliance with this requirement.

**Designated Fund Balance**

The amount classified as "designated for subsequent year's expenditures" at December 31, 2009, represents the amount appropriated for use in the budget for the year ending December 31, 2010.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2009 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 583,669</u>
---------------------------	-------------------

Cash and investments as of December 31, 2009 consist of the following:

Deposits with financial institutions	\$ 32,977
Investments	<u>550,692</u>
	<u>\$ 583,669</u>

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

**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.

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, 2009, the District's cash deposits had a bank balance of \$45,328 and carrying balance of \$32,977.

**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, 2009, the District had the following investments:

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 550,692</u>

**COLOTRUST**

At December 31, 2009, the District has invested \$550,692 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 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, 2009 follows:

<b>Governmental activities:</b>	<u>Balance at December 31, 2008</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 11,760	\$ -	\$ -	\$ 11,760
Total capital assets, not being depreciated	<u>11,760</u>	<u>-</u>	<u>-</u>	<u>11,760</u>
Capital assets, being depreciated:				
Road improvements	216,636	25,000	-	241,636
Buildings and improvements	166,654	-	-	166,654
Total capital assets being depreciated	<u>383,290</u>	<u>25,000</u>	<u>-</u>	<u>408,290</u>
Less accumulated depreciation for:				
Road improvements	(163,525)	(23,747)	-	(187,272)
Buildings and improvements	(109,585)	(7,845)	-	(117,430)
Total accumulated depreciation	<u>(273,110)</u>	<u>(31,592)</u>	<u>-</u>	<u>(304,702)</u>
Total capital assets being depreciated, net	<u>110,180</u>	<u>(6,592)</u>	<u>-</u>	<u>103,588</u>
Total capital assets, net	<u>\$ 121,940</u>	<u>\$ (6,592)</u>	<u>\$ -</u>	<u>\$ 115,348</u>

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

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Business-type activities:	Balance at December 31, 2008	Additions	Disposals/ Retirements	Balance at December 31, 2009
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	1,207,599	-	-	1,207,599
Total capital assets being depreciated	1,207,599	-	-	1,207,599
Less accumulated depreciation for:				
Water system	(588,765)	(30,558)	-	(619,323)
Total accumulated depreciation	(588,765)	(30,558)	-	(619,323)
Total capital assets being depreciated, net	618,834	(30,558)	-	588,276
Total capital assets, net	<u>\$ 659,300</u>	<u>\$ (30,558)</u>	<u>\$ -</u>	<u>\$ 628,742</u>

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

**NOTE 5 – LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations reported in the business-type activities/proprietary fund for the year ended December 31, 2009.

	Balance at December 31, 2008	New Issues	Retirements	Balance at December 31, 2009	Due Within One Year
1998 G.O. Bonds	<u>\$ 295,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 265,000</u>	<u>\$ 30,000</u>

The detail of the District's long-term debt is as follows:

**General Obligation Bonds**

\$380,000 General Obligation Bonds, Series 1998, dated July 1, 1998, with interest of 6.20%, consisting of serial bonds due annually through 2017. Interest is payable on the bonds semi-annually on June 1 and December 1. Principal payments are payable on December 1. All bonds callable at the option of the District on December 1, 2009 or any date thereafter, upon payment of par and accrued interest. The bonds constitute general obligations of the District payable solely from and to the extent of the pledged revenue. The pledged revenue consists of the revenue derived by the District from the imposition of the District's mill levy for the purpose of paying the District's indebtedness. The District has covenanted to impose a mill levy sufficient to pay the principal and interest on the bonds as they come due, through the year 2017. The bonds were issued to finance the construction and acquisition of certain public water improvements. In August 2010 the District redeemed all of the outstanding bonds.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)**

The District's long-term obligations will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2010	\$ 30,000	\$ 16,430	\$ 46,430
2011	35,000	14,570	49,570
2012	35,000	12,400	47,400
2013	35,000	10,230	45,230
2014	35,000	8,060	43,060
2015-2017	95,000	11,470	106,470
	<u>\$ 265,000</u>	<u>\$ 73,160</u>	<u>\$ 338,160</u>

For the year ended December 31, 2009, \$18,135 of interest expense has been included in the water function/program of the business-type activities in the statement of activities.

**NOTE 6 – INTERGOVERNMENTAL AGREEMENT**

**Town of Silverthorne**

On June 1, 1996, 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 will build 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 7 - NET ASSETS**

The District has net assets consisting of three components – invested in capital assets, net of related debt, restricted and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2009, the District had invested in capital assets, net of related debt of \$479,090, comprised of \$115,348 in the governmental activities and \$363,742 in the business-type activities.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

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 had restricted net assets as of December 31, 2009 as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Restricted net assets:			
Emergency reserves (see Note 9)	\$ 5,900	\$ 3,200	\$ 9,100
Parks and recreation (Conservation Trust Funds)	691	-	691
	<u>\$ 6,591</u>	<u>\$ 3,200</u>	<u>\$ 9,791</u>

The District's unrestricted net assets at December 31, 2009 totaled \$558,836, comprised of \$305,262 in the governmental activities and \$253,574 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, 2009. 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, 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.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

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).

Subsequent to year end 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 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?

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.

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, 2009

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 101,886	\$ 101,123	\$ (763)
Specific ownership taxes	-	4,755	4,755
Service charges	28,000	18,458	(9,542)
Net investment income	15,000	1,124	(13,876)
Miscellaneous	3,500	-	(3,500)
Total Revenues	<u>148,386</u>	<u>125,460</u>	<u>(22,926)</u>
<b>EXPENDITURES</b>			
Maintenance contract	20,689	20,419	270
Repairs and maintenance	6,000	24,054	(18,054)
Utilities	5,500	4,845	655
Testing fees	3,500	657	2,843
Tap agreement	200	66	134
Insurance	2,500	1,917	583
Accounting and audit	3,750	3,381	369
Management fee	7,560	7,560	-
County Treasurer's fees	4,977	5,062	(85)
Bond interest	18,290	18,135	155
Bond principal	30,000	30,000	-
Paying agent fees	250	250	-
Water meters	3,500	-	3,500
Water system improvements	5,000	-	5,000
Contingency	5,000	-	5,000
Total Expenditures	<u>116,716</u>	<u>116,346</u>	<u>370</u>
<b>NET CHANGE IN FUND BALANCE</b>	31,670	9,114	(22,556)
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	243,347	247,660	4,313
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 275,017</u>	<u>\$ 256,774</u>	<u>\$ (18,243)</u>

Funds available at December 31, 2009 is computed as follows:

Current assets	\$ 376,621
Current liabilities	(149,847)
Add back current portion of bonds payable	30,000
	<u>\$ 256,774</u>

**WILLOW BROOK METROPOLITAN DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
Year Ended December 31, 2009**

Revenue (budgetary basis)	<u>\$</u>	125,460
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>125,460</u>
 Expenditures (budgetary basis)		 116,346
Depreciation		30,558
Bond principal		<u>(30,000)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>116,904</u>
 Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	 <u>\$</u>	 <u>8,556</u>

**WILLOW BROOK METROPOLITAN DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2009**

**\$380,000 General Obligation Bonds, Series 1998**  
**6.20% Interest Rate**

**Principal Due December 1**

**Interest Due June 1 and December 1**

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 30,000	\$ 16,430	\$ 46,430
2011	35,000	14,570	49,570
2012	35,000	12,400	47,400
2013	35,000	10,230	45,230
2014	35,000	8,060	43,060
2015	35,000	5,890	40,890
2016	30,000	3,720	33,720
2017	30,000	1,860	31,860
	<u>\$ 265,000</u>	<u>\$ 73,160</u>	<u>\$ 338,160</u>