

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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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 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, 2011, 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, 2011, 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.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*SCHILLING & COMPANY, INC.*

August 17, 2012

## **BASIC FINANCIAL STATEMENTS**

**WILLOW BROOK METROPOLITAN DISTRICT**  
**STATEMENT OF NET ASSETS**  
December 31, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 292,476	\$ 26,075	\$ 318,551
Accounts Receivable:			
Customer	1,891	8,134	10,025
County treasurer	663	368	1,031
Property taxes receivable	158,488	101,786	260,274
Prepaid expenses	2,393	2,393	4,786
Capital assets, not being depreciated	11,760	40,466	52,226
Capital assets, net of accumulated depreciation	93,115	669,429	762,544
Total assets	<u>560,786</u>	<u>848,651</u>	<u>1,409,437</u>
<b>LIABILITIES</b>			
Accounts payable	4,049	21,099	25,148
Deposits	5,000	-	5,000
Deferred property taxes	158,488	101,786	260,274
Total liabilities	<u>167,537</u>	<u>122,885</u>	<u>290,422</u>
<b>NET ASSETS</b>			
Invested in capital assets	104,875	709,895	814,770
Restricted for emergencies	6,700	3,700	10,400
Restricted for parks and recreation	1,236	-	1,236
Unrestricted	280,438	12,171	292,609
Total net assets	<u>\$ 393,249</u>	<u>\$ 725,766</u>	<u>\$ 1,119,015</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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 327,184	\$ 40,405	\$ 41,450	\$ -	\$ (245,329)	\$ -	\$ (245,329)
	<u>327,184</u>	<u>40,405</u>	<u>41,450</u>	<u>-</u>	<u>(245,329)</u>	<u>-</u>	<u>(245,329)</u>
Business-type activities:							
Water	112,047	28,827	-	-	-	(83,220)	(83,220)
	<u>112,047</u>	<u>28,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,220)</u>	<u>(83,220)</u>
Total	<u>\$ 439,231</u>	<u>\$ 69,232</u>	<u>\$ 41,450</u>	<u>\$ -</u>	<u>(245,329)</u>	<u>(83,220)</u>	<u>(328,549)</u>
General revenues:							
Taxes:							
Property taxes					210,148	116,073	326,221
Specific ownership taxes					7,375	4,089	11,464
Conservation Trust Funds					237	-	237
Net investment income					1,967	230	2,197
Miscellaneous					808	-	808
Total general revenues					<u>220,535</u>	<u>120,392</u>	<u>340,927</u>
Change in net assets					(24,794)	37,172	12,378
Net assets - Beginning					418,043	688,594	1,106,637
Net assets - Ending					<u>\$ 393,249</u>	<u>\$ 725,766</u>	<u>\$ 1,119,015</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, 2011**

	<b>General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 292,476
Accounts Receivable:	
Customer	1,891
County treasurer	663
Property taxes receivable	158,488
Prepaid expenses	2,393
<b>TOTAL ASSETS</b>	<b>\$ 455,911</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 4,049
Deposits	5,000
Deferred property tax revenues	158,488
<b>TOTAL LIABILITIES</b>	<b>167,537</b>
 <b>FUND BALANCE</b>	
Nonspendable:	
Prepaid expenditures	2,393
Restricted:	
Emergency reserves	6,700
Parks and recreation	1,236
Assigned to:	
Subsequent years expenditures	63,048
Unassigned	214,997
<b>TOTAL FUND BALANCE</b>	<b>288,374</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	104,875
Net assets of governmental activities	<b>\$ 393,249</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, 2011**

	<b>General</b>
<b>REVENUES</b>	
Property tax	\$ 210,148
Specific ownership tax	7,375
Conservation Trust Funds	237
Trash service	6,665
Stable	31,560
Net investment income	1,967
Grants and contributions - Wildfire fuel reduction	41,450
Weed program	2,180
Miscellaneous	808
Total revenues	302,390
 <b>EXPENDITURES</b>	
General government:	
Current:	
Accounting and management	43,126
Audit	3,200
County Treasurer's fees	10,528
Insurance and dues	2,613
Legal	45,684
Legal - Settlement	12,500
Miscellaneous	593
Office supplies	505
Repairs and maintenance -	
Gate maintenance	2,879
Meadow maintenance - non-stable	2,650
Road maintenance	40,921
Stable and stable meadow maintenance	38,745
Weed maintenance	6,947
Snow plowing	31,083
Trash removal	6,639
Utilities	2,505
Wildfire fuel reduction	48,150
Total expenditures	299,268
 <b>NET CHANGE IN FUND BALANCE</b>	 3,122
 <b>FUND BALANCE - BEGINNING OF YEAR</b>	 285,252
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 288,374</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, 2011**

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>\$</u>	<u>3,122</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.		
Depreciation		<u>(27,916)</u>
		<u>(27,916)</u>
Change in net assets - Governmental activities	<u>\$</u>	<u>(24,794)</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property tax	\$ 210,639	\$ 210,639	\$ 210,148	\$ (491)
Specific ownership tax	6,000	6,000	7,375	1,375
Conservation Trust Funds	300	300	237	(63)
Trash service	6,300	6,300	6,665	365
Stable and meadow fees	46,650	46,650	31,560	(15,090)
Net investment income	50	50	1,967	1,917
Grants and contributions - Wildfire fuel reduction	-	-	41,450	41,450
Weed program	2,250	2,250	2,180	(70)
Miscellaneous	500	500	808	308
Total Revenues	<u>272,689</u>	<u>272,689</u>	<u>302,390</u>	<u>29,701</u>
<b>EXPENDITURES</b>				
General government:				
Accounting and management	31,752	43,752	43,126	626
Audit	3,750	3,750	3,200	550
County Treasurer's fees	10,544	10,544	10,528	16
Insurance and dues	2,500	2,500	2,613	(113)
Legal	15,000	45,000	45,684	(684)
Legal - Settlement	-	-	12,500	(12,500)
Miscellaneous	-	500	593	(93)
Office supplies	1,550	1,550	505	1,045
Repairs and maintenance -				
Gate maintenance	5,000	5,000	2,879	2,121
Meadow maintenance - non-stable	4,940	4,940	2,650	2,290
Road maintenance	25,000	37,500	40,921	(3,421)
Stable and stable meadow maintenance	46,782	46,782	38,745	8,037
Weed maintenance	7,000	7,000	6,947	53
Snow plowing	28,000	28,000	31,083	(3,083)
Trash removal	5,500	5,500	6,639	(1,139)
Utilities	3,300	3,300	2,505	795
Wildfire fuel reduction	-	40,000	48,150	(8,150)
Other/contingency	10,000	-	-	-
Capital outlay:				
Road improvements	25,000	-	-	-
Common area improvements	5,000	-	-	-
Contingency	25,000	-	-	-
Total Expenditures	<u>255,618</u>	<u>285,618</u>	<u>299,268</u>	<u>(13,650)</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>17,071</u>	<u>(12,929)</u>	<u>3,122</u>	<u>16,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) other funds	(19,000)	(19,000)	-	19,000
Total other financing sources	<u>(19,000)</u>	<u>(19,000)</u>	<u>-</u>	<u>19,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,929)	(31,929)	3,122	35,051
<b>FUND BALANCE - BEGINNING OF YEAR</b>	234,560	234,560	285,252	50,692
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 232,631</u>	<u>\$ 202,631</u>	<u>\$ 288,374</u>	<u>\$ 85,743</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, 2011**

	<b>Water</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 26,075
Accounts Receivable:	
Customer	8,134
County treasurer	368
Prepaid expenses	2,393
Property taxes receivable	101,786
Total current assets	138,756
<b>CAPITAL ASSETS</b>	
Capital assets, not being depreciated	40,466
Capital assets, being depreciated	1,304,137
	1,344,603
Less accumulated depreciation and amortization	(634,708)
Total capital assets	709,895
<b>TOTAL ASSETS</b>	\$ 848,651
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 21,099
Deferred property taxes	101,786
Total current liabilities	122,885
<b>NET ASSETS</b>	
Invested in capital assets	709,895
Restricted for emergencies	3,700
Unrestricted	12,171
Total net assets	725,766
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 848,651

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, 2011**

	<b>Water</b>
<b>OPERATING REVENUE</b>	
Service charges	\$ 28,501
Miscellaneous	326
Total operating revenue	28,827
 <b>OPERATING EXPENSES</b>	
Accounting and management	12,846
Audit	3,200
Insurance and dues	2,613
Legal	1,877
Maintenance contract	20,742
Miscellaneous	267
Repairs and maintenance	5,348
Utilities	5,773
Water billing	1,026
Water testing	875
Depreciation	31,766
Total operating expenses	86,333
 <b>OPERATING LOSS</b>	 (57,506)
 <b>NONOPERATING REVENUE AND (EXPENSES)</b>	
Property taxes	116,073
Specific ownership taxes	4,089
Net investment income	230
County Treasurer's fees	(5,835)
Loss on disposal of capital assets	(19,879)
Total nonoperating revenue (expense)	94,678
 <b>CHANGE IN NET ASSETS</b>	 37,172
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 688,594
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 725,766</b>

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, 2011**

	<b>Water</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 28,760
Payments to vendors	(37,491)
Net cash required by operating activities	(8,731)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Property and specific ownership taxes received	120,829
County treasurer's fees paid	(5,835)
Acquisition of capital assets	(163,356)
Net cash required by capital financing activities	(48,362)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	230
Net cash provided by investing activities	230
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(56,863)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	82,938
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 26,075
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	
Net (loss) from operations	\$ (57,506)
Adjustments to reconcile net (loss) from operations to net cash required by operating activities:	
Depreciation	31,766
Effects of changes in operating assets and liabilities:	
Accounts receivable	(67)
Prepaid expense	(80)
Accounts payable	17,156
Net cash required by operating activities	\$ (8,731)

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, 2011**

**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 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, 2011**

**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, 2011**

**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.

Subsequent to the end of the year, supplementary appropriations approved by the Board of Directors modified the appropriation from \$274,618 to \$304,618 in the General Fund and from \$198,892 to \$223,892 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.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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 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.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

**Fund Balances – Governmental Funds**

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe 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.

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, 2011 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 318,551</u>
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Cash and investments as of December 31, 2011 consist of the following:

Deposits with financial institutions	\$ 36,019
Certificates of Deposit	241,194
Investments - ColoTrust	<u>41,338</u>
	<u>\$ 318,551</u>

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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, 2011, the District's cash deposits had a bank balance of \$284,722 and carrying balance of \$277,213.

**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.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

At December 31, 2011, 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>\$ 41,338</u>

**COLOTRUST**

At December 31, 2011, the District has invested \$41,338 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, 2011 follows:

<b>Governmental activities:</b>	<b>Balance at December 31, 2010</b>	<b>Additions</b>	<b>Disposals/ Retirements</b>	<b>Balance at December 31, 2011</b>
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	274,548	-	(160,401)	114,147
Buildings and improvements	155,117	-	-	155,117
Total capital assets being depreciated	429,665	-	(160,401)	269,264
Less accumulated depreciation for:				
Road improvements	(209,310)	(20,329)	160,401	(69,238)
Buildings and improvements	(99,324)	(7,587)	-	(106,911)
Total accumulated depreciation	(308,634)	(27,916)	160,401	(176,149)
Total capital assets being depreciated, net	121,031	(27,916)	-	93,115
Total capital assets, net	<u>\$ 132,791</u>	<u>\$ (27,916)</u>	<u>\$ -</u>	<u>\$ 104,875</u>

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

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

<b>Business-type activities:</b>	<b>Balance at December 31, 2010</b>	<b>Additions</b>	<b>Disposals/ Retirements</b>	<b>Balance at December 31, 2011</b>
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	163,356	(66,818)	1,304,137
Total capital assets being depreciated	1,207,599	163,356	(66,818)	1,304,137
Less accumulated depreciation for:				
Water system	(649,881)	(31,766)	46,939	(634,708)
Total accumulated depreciation	(649,881)	(31,766)	46,939	(634,708)
Total capital assets being depreciated, net	557,718	131,590	(19,879)	669,429
Total capital assets, net	<u>\$ 598,184</u>	<u>\$ 131,590</u>	<u>\$ (19,879)</u>	<u>\$ 709,895</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.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 6 – FUND EQUITY**

At December 31, 2011, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$2,393 is comprised of prepaid amounts which are not in spendable form.

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$6,700 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 \$1,236 is to be used exclusively for parks and recreation.

**Assigned Fund Balance**

The assigned fund balance in the General Fund in the amount of \$63,048 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

**NOTE 7 - NET ASSETS**

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

Invested in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2011, the District had invested in capital assets of \$814,770, comprised of \$104,875 in the governmental activities and \$709,895 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 had restricted net assets as of December 31, 2011 as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Restricted net assets:			
Emergency reserves (see Note 9)	\$ 6,700	\$ 3,700	\$ 10,400
Parks and recreation (Conservation Trust Funds)	1,236	-	1,236
	<u>\$ 7,936</u>	<u>\$ 3,700</u>	<u>\$ 11,636</u>

The District's unrestricted net assets at December 31, 2011 totaled \$292,609, comprised of \$280,438 in the governmental activities and \$12,171 in the business-type activities.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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, 2011. 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.

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.



**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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

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 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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 116,751	\$ 116,751	\$ 116,073	\$ (678)
Specific ownership taxes	2,000	2,000	4,089	2,089
Service charges	28,000	28,000	28,501	501
Tap fees agreement	6,400	6,400	-	(6,400)
Meter sales	600	600	-	(600)
Net investment income	500	500	230	(270)
Miscellaneous	-	-	326	326
Total Revenues	<u>154,251</u>	<u>154,251</u>	<u>149,219</u>	<u>(5,032)</u>
<b>EXPENDITURES</b>				
Accounting and management	-	13,000	12,846	154
Audit	3,750	3,750	3,200	550
County Treasurer's fees	5,844	5,844	5,835	9
Insurance and dues	2,500	2,500	2,613	(113)
Legal	-	-	1,877	(1,877)
Maintenance contract	21,698	21,698	20,742	956
Miscellaneous	-	-	267	(267)
Repairs and maintenance	7,500	7,500	5,348	2,152
Tap fee agreement	6,400	6,400	-	6,400
Utilities	7,700	7,700	5,773	1,927
Water billing	-	-	1,026	(1,026)
Water testing	2,400	2,400	875	1,525
Water meters	2,000	2,000	-	2,000
Engineering , planning and construction mgt	15,600	15,600	-	15,600
Water system improvements	120,000	132,000	163,356	(31,356)
Contingency	3,500	3,500	-	3,500
Total Expenditures	<u>198,892</u>	<u>223,892</u>	<u>223,758</u>	<u>134</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(44,641)</u>	<u>(69,641)</u>	<u>(74,539)</u>	<u>(4,898)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) other funds	19,000	19,000	-	(19,000)
Total other financing sources	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(25,641)	(50,641)	(74,539)	(23,898)
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	144,574	144,574	90,410	(54,164)
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 118,933</u>	<u>\$ 93,933</u>	<u>\$ 15,871</u>	<u>\$ (78,062)</u>

Funds available at December 31, 2011 is computed as follows:

Current assets	\$ 138,756
Current liabilities	(122,885)
	<u>\$ 15,871</u>

**WILLOW BROOK METROPOLITAN DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
Year Ended December 31, 2011**

Revenue (budgetary basis)	<u>\$</u>	149,219
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>149,219</u>
Expenditures (budgetary basis)		223,758
Depreciation		31,766
Capital outlay - water system improvements		(163,356)
Loss on disposition of assets		<u>19,879</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>112,047</u>
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	<u>\$</u>	<u>37,172</u>