

Willow Trace Metropolitan District
Financial Statements
Year Ended December 31, 2017
with
Independent Auditors' Report

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Office of the State Auditor

July 30, 2018

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Board of Directors
Willow Trace Metropolitan District
Arapahoe County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Willow Trace Metropolitan District (the "District") as of and for the year ended December 31, 2017, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Willow Trace Metropolitan District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles general 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 that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental 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.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

July 26, 2018

Willow Trace Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 84,665	\$ -	\$ 84,665	\$ -	\$ 84,665
Cash and investments -restricted	9,199	-	9,199	-	9,199
Receivable - County Treasurer	2,141	3,315	5,456	-	5,456
Prepaid Expenses	243	-	243	-	243
Property taxes receivable - deferred	359,616	556,826	916,442	-	916,442
Due from other Funds	-	143,975	143,975	(143,975)	-
Capital assets, net of depreciation	-	-	-	1,364,070	1,364,070
Bond insurance costs - net	-	-	-	13,201	13,201
Total Assets	<u>455,864</u>	<u>704,116</u>	<u>1,159,980</u>	<u>1,233,296</u>	<u>2,393,276</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	478,596	478,596
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,596</u>	<u>478,596</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 455,864</u>	<u>\$ 704,116</u>	<u>\$ 1,159,980</u>	<u>1,711,892</u>	<u>2,871,872</u>
LIABILITIES					
Accounts payable	\$ 3,805	\$ -	\$ 3,805	-	3,805
Due to other Funds	143,975	-	143,975	(143,975)	-
Accrued interest on bonds	-	-	-	28,500	28,500
Long-term liabilities:					
Due within one year	-	-	-	175,000	175,000
Due in more than one year	-	-	-	8,544,811	8,544,811
Total Liabilities	<u>147,780</u>	<u>-</u>	<u>147,780</u>	<u>8,604,336</u>	<u>8,752,116</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	359,616	556,826	916,442	-	916,442
Total Deferred Inflows of Resources	<u>359,616</u>	<u>556,826</u>	<u>916,442</u>	<u>-</u>	<u>916,442</u>
FUND BALANCE					
Nonspendable					
Prepaid expenses	243	-	243	(243)	-
Restricted:					
Emergencies	9,199	-	9,199	(9,199)	-
Debt service	-	147,290	147,290	(147,290)	-
Unassigned	(60,974)	-	(60,974)	60,974	-
Total Fund Balances	<u>(51,532)</u>	<u>147,290</u>	<u>95,758</u>	<u>(95,758)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 455,864</u>	<u>\$ 704,116</u>	<u>\$ 1,159,980</u>		
NET POSITION					
Restricted for:					
Emergencies				9,199	9,199
Unrestricted:				(6,805,885)	(6,805,885)
Total Net Position (Deficit)				<u>\$ (6,796,686)</u>	<u>\$ (6,796,686)</u>

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

Willow Trace Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 9,579	\$ -	\$ 9,579	\$ -	\$ 9,579
Insurance	5,436	-	5,436	-	5,436
Legal	22,972	-	22,972	-	22,972
Miscellaneous expenses	224	-	224	-	224
Utilities	114,940	-	114,940	-	114,940
Landscape maintenance	55,193	-	55,193	-	55,193
Landscape replacement	41,912	-	41,912	-	41,912
Snow removal	1,492	-	1,492	-	1,492
Fence replacement	187,671	-	187,671	-	187,671
Directors fees	2,100	-	2,100	-	2,100
Treasurer's fees	4,736	7,333	12,069	-	12,069
Depreciation expense	-	-	-	85,255	85,255
Bond principal	-	160,000	160,000	(160,000)	-
Bond interest	-	346,800	346,800	(13,669)	333,131
Paying agent fees	-	250	250	-	250
Amortize bond insurance costs	-	-	-	576	576
Total Expenditures	<u>446,255</u>	<u>514,383</u>	<u>960,638</u>	<u>(87,838)</u>	<u>872,800</u>
GENERAL REVENUES					
Property taxes	315,569	488,623	804,192	-	804,192
Specific ownership taxes	27,022	41,841	68,863	-	68,863
Reimbursements/Misc	139	-	139	-	139
Interest income	3,742	236	3,978	-	3,978
Total General Revenues	<u>346,472</u>	<u>530,700</u>	<u>877,172</u>	<u>-</u>	<u>877,172</u>
NET CHANGE IN FUND BALANCE	(99,783)	16,317	(83,466)	83,466	
CHANGE IN NET POSITION				4,372	4,372
FUND BALANCE/NET POSITION					
BEGINNING OF YEAR	<u>48,251</u>	<u>130,973</u>	<u>179,224</u>	<u>(6,980,282)</u>	<u>(6,801,058)</u>
END OF YEAR	<u>\$ (51,532)</u>	<u>\$ 147,290</u>	<u>\$ 95,758</u>	<u>\$ (6,892,444)</u>	<u>\$ (6,796,686)</u>

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

Willow Trace Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 315,569	\$ 315,569	\$ -
Specific ownership taxes	22,090	27,022	4,932
Reimbursements/Misc	-	139	139
Interest income	<u>339</u>	<u>3,742</u>	<u>3,403</u>
Total Revenues	<u>337,998</u>	<u>346,472</u>	<u>8,474</u>
EXPENDITURES			
Accounting and audit	11,000	9,579	1,421
Insurance	6,000	5,436	564
Legal	20,000	22,972	(2,972)
Miscellaneous expenses	1,000	224	776
Utilities	75,000	114,940	(39,940)
Landscape maintenance	60,000	55,193	4,807
Landscape replacement	40,000	41,912	(1,912)
Snow removal	10,000	1,492	8,508
Fence replacement	160,000	187,671	(27,671)
Director's fees	3,250	2,100	1,150
Treasurer's fees	4,734	4,736	(2)
Contingency	60,108	-	60,108
Emergency reserve	<u>11,730</u>	<u>-</u>	<u>11,730</u>
Total Expenditures	<u>462,822</u>	<u>446,255</u>	<u>16,567</u>
NET CHANGE IN FUND BALANCE	(124,824)	(99,783)	25,041
FUND BALANCE:			
BEGINNING OF YEAR	<u>124,824</u>	<u>48,251</u>	<u>(76,573)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ (51,532)</u>	<u>\$ (51,532)</u>

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

Willow Trace Metropolitan District

Notes to Financial Statements December 31, 2017

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Willow Trace Metropolitan District, located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized in 1998, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide for the design, acquisition, construction, installation and financing of streets, traffic and safety controls, and by an Amended Service Plan approved by the Board of County Commissioners for Arapahoe County, park and recreational improvements and services within its boundaries. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

Willow Trace Metropolitan District

Notes to Financial Statements December 31, 2017

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Willow Trace Metropolitan District

Notes to Financial Statements December 31, 2017

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

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

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Willow Trace Metropolitan District

Notes to Financial Statements December 31, 2017

Deferred Outflows/Inflows of Resources

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

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

Prepaid Debt Insurance, Loss on Refunding and Original Issue Premium

Prepaid debt insurance from the Series 2015 Bonds is being amortized over the term of the Series 2015 Bonds, using the straight-line method. Accumulated amortization amounted to \$1,552 at December 31, 2017. Loss on Refunding from the Series 2015 Bonds is being amortized over the term of the refunded bonds using the straight-line method. Accumulated amortization amounted to \$71,217 at December 31, 2017. Original Issue Premium from the Series 2015 Bonds is being amortized over the term of the Series 2015 Bonds using the effective interest method. Accumulated amortization amounted to \$104,227 at December 31, 2017.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land is not depreciated.

Willow Trace Metropolitan District

Notes to Financial Statements
December 31, 2017

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Landscape Improvements	30 years
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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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$243 represents prepaid insurance.

Willow Trace Metropolitan District

Notes to Financial Statements December 31, 2017

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$9,199 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$147,290 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Bonds Series 2015 (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Deficits

The General Fund reported a deficit fund balance in the fund financial statements of \$51,532 which is expected to be eliminated in 2018.

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Willow Trace Metropolitan District

Notes to Financial Statements
December 31, 2017

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

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

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

Note 2: Cash and Investments

As of December 31, 2017, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 84,665
Cash and investments – restricted	<u>9,199</u>
Total	<u>\$ 93,864</u>

Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	\$ 16,598
Investments – COLOTRUST PLUS	<u>77,266</u>
	<u>\$ 93,864</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Willow Trace Metropolitan District

Notes to Financial Statements December 31, 2017

Investments

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

As of December 31, 2017, the District had the following investments:

Willow Trace Metropolitan District

Notes to Financial Statements
December 31, 2017

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2017, the District had \$77,266 invested in COLOTRUST.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
<u>Governmental Type Activities:</u>				
<u>Capital assets being depreciated:</u>				
Capital Assets	\$ 2,557,640	\$ -	\$ -	\$ 2,557,640
Total capital assets:	2,557,640	-	-	2,557,640
Accumulated Depreciation	(1,108,315)	(85,255)	-	(1,193,570)
Net capital assets being depreciated:	1,449,325	(85,255)	-	1,364,070
Government type assets, net	<u>\$ 1,449,325</u>	<u>\$ (85,255)</u>	<u>\$ -</u>	<u>\$ 1,364,070</u>

Willow Trace Metropolitan District

Notes to Financial Statements
December 31, 2017

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2017, is as follows:

On April 29, 2015, the District authorized the issuance of General Obligation Refunding Bonds Series 2015, (“Series 2015 Bonds”) to advance refund and defease (debt legally satisfied) \$8,635,000 of the \$8,845,000 outstanding balance of its Series 2006A Bonds. The Series 2015 Bonds bears interest at a rate ranging from 2.00% to 5.00%. Interest is payable semiannually on each June 1 and December 1, commencing on December 1, 2015. The Series 2015 Bonds are subject to scheduled principal payments commencing on December 1, 2015. The bonds were issued to provide sufficient funds to refund the Series 2006A bonds.

The Series 2015 Bonds maturing on and before December 1, 2024 are not subject to redemption prior to maturity. The Series 2015 Bonds maturing on and after December 1, 2025 are subject to redemption prior to maturity at the option of the District on December 1, 2024 and on any date thereafter, at a redemption price equal to the principal amount redeemed plus accrued interest, without redemption premium. The Series 2015 Bonds are subject to mandatory redemption. The Series 2015 Bonds are secured by the District’s levy of a general ad valorem tax on all of the taxable property within the District’s boundaries. The scheduled payment of principal and interest on the bonds is insured by municipal bond insurance issued by Build America Mutual Assurance Company (“BAM”). BAM is rated AA by Standard & Poor’s Rating Service. The District realized a net present value savings of \$242,223 by refunding the Series 2006A Bonds.

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

	Principal	Interest	Total
2018	\$ 175,000	\$ 342,000	\$ 517,000
2019	180,000	335,000	515,000
2020	195,000	327,800	522,800
2021	205,000	320,000	525,000
2022	225,000	311,800	536,800
2023-2027	1,330,000	1,413,800	2,743,800
2028-2032	1,770,000	1,113,250	2,883,250
2033-2037	2,330,000	701,250	3,031,250
2038-2040	1,730,000	164,450	1,894,450
	\$ 8,140,000	\$ 5,029,350	\$ 13,169,350

Willow Trace Metropolitan District

Notes to Financial Statements
December 31, 2017

The following is an analysis of changes in long-term debt for the period ending December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
General Obligation Refunding					
Bonds - Series 2015	\$ 8,300,000	\$ -	\$ 160,000	\$ 8,140,000	\$ 175,000
Original Issue Premium	619,792	-	39,981	579,811	-
	<u>\$ 8,919,792</u>	<u>\$ -</u>	<u>\$ 199,981</u>	<u>\$ 8,719,811</u>	<u>\$ 175,000</u>

As of December 31, 2017, the District had remaining voted debt authorization of approximately \$316,904. The District has not budgeted to issue any new debt during 2018.

Note 5: Tax, Spending and Debt Limitations

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (Pool) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Willow Trace Metropolitan District

Notes to Financial Statements
December 31, 2017

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds;
- 2) long-term liabilities such as bonds payable, accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds; and,
- 3) bond insurance costs and deferred loss on refunding are reported as deferred charges and amortized over the term of the related debt in the government-wide financial statements.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Willow Trace Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2017

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 488,623	\$ 488,623	\$ -
Specific ownership taxes	34,204	41,841	7,637
Interest income	<u>750</u>	<u>236</u>	<u>(514)</u>
 Total Revenues	 <u>523,577</u>	 <u>530,700</u>	 <u>7,123</u>
EXPENDITURES			
Bond Principal	160,000	160,000	-
Bond Interest	346,800	346,800	-
Paying agent fees	3,000	250	2,750
Treasurers' fees	<u>7,326</u>	<u>7,333</u>	<u>(7)</u>
 Total Expenditures	 <u>517,126</u>	 <u>514,383</u>	 <u>2,743</u>
 NET CHANGE IN FUND BALANCE	 6,451	 16,317	 9,866
 FUND BALANCE - BEGINNING OF YEAR	 <u>131,341</u>	 <u>130,973</u>	 <u>(368)</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 137,792</u>	 <u>\$ 147,290</u>	 <u>\$ 9,498</u>

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