

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


**FINANCIAL STATEMENTS  
DECEMBER 31, 2019**


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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors  
Willow Brook Metropolitan District  
Fort Collins, Colorado

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Willow Brook Metropolitan District (the "District") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, business-type activities, and each major fund of Willow Brook Metropolitan District, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other-Matters**

### *Required Supplementary Information*

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

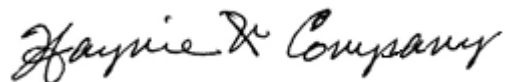
### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Willow Brook Metropolitan District's financial statements as a whole. The other supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and as also not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2020, on our consideration of Willow Brook Metropolitan District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Willow Brook Metropolitan District's internal control over financial reporting and compliance.



Littleton, Colorado  
June 19, 2020

## **BASIC FINANCIAL STATEMENTS**

**WILLOW BROOK METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 461,109	\$ 216,239	\$ 677,348
Accounts receivable:			
Customer	2,398	13,271	15,669
County treasurer	1,182	967	2,149
Property taxes receivable	248,354	306,095	554,449
Prepaid expenditures	395	-	395
Capital assets, not being depreciated	11,760	74,521	86,281
Capital assets, net of accumulated depreciation	113,214	2,500,738	2,613,952
Total assets	<u>838,412</u>	<u>3,111,831</u>	<u>3,950,243</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	28,822	42,724	71,546
Deposits payable	5,000	-	5,000
Loan payable - current portion	-	40,645	40,645
Total current liabilities	<u>33,822</u>	<u>83,369</u>	<u>117,191</u>
<b>NONCURRENT LIABILITIES</b>			
Loan payable - CWR&PDA	-	1,364,347	1,364,347
Total liabilities	<u>33,822</u>	<u>1,447,716</u>	<u>1,481,538</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	248,354	306,095	554,449
Total deferred inflows of resources	<u>248,354</u>	<u>306,095</u>	<u>554,449</u>
<b>NET POSITION</b>			
Net investment in capital assets	124,974	1,170,267	1,295,241
Restricted for emergencies	10,800	48,500	59,300
Unrestricted	420,462	139,253	559,715
Total net position	<u>\$ 556,236</u>	<u>\$ 1,358,020</u>	<u>\$ 1,914,256</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, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenues and Change in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Governmental activities:							
General government	\$ 223,143	\$ 9,129	\$ 6,117	\$ -	\$ (207,897)	\$ -	\$ (207,897)
	<u>223,143</u>	<u>9,129</u>	<u>6,117</u>	<u>-</u>	<u>(207,897)</u>	<u>-</u>	<u>(207,897)</u>
Business-type activities:							
Water	156,169	62,509	-	15,773	-	(77,887)	(77,887)
	<u>156,169</u>	<u>62,509</u>	<u>-</u>	<u>15,773</u>	<u>-</u>	<u>(77,887)</u>	<u>(77,887)</u>
<b>Total</b>	<u>\$ 379,312</u>	<u>\$ 71,638</u>	<u>\$ 6,117</u>	<u>\$ 15,773</u>	<u>(207,897)</u>	<u>(77,887)</u>	<u>(285,784)</u>

General revenues:

Taxes:

Property taxes	244,683	199,557	444,240
Specific ownership taxes	13,798	11,303	25,101
Conservation trust funds	286	-	286

Interest	12,495	57	12,552
Miscellaneous	20,754	46	20,800
Transfers	60,000	(60,000)	-
Total general revenues	<u>352,016</u>	<u>150,963</u>	<u>502,979</u>

Change in net position 144,119 73,076 217,195

Net position - beginning 412,117 1,284,944 1,697,061  
Net position - ending \$ 556,236 \$ 1,358,020 \$ 1,914,256

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, 2019**

	<b>General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 461,109
Accounts receivable:	
Customer	2,398
County treasurer	1,182
Property taxes receivable	248,354
Prepaid expenditures	395
<b>TOTAL ASSETS</b>	<b>\$ 713,438</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 28,822
Deposits payable	5,000
<b>TOTAL LIABILITIES</b>	<b>33,822</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	248,354
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>248,354</b>
 <b>FUND BALANCE</b>	
Nonspendable:	
Prepaid expenditures	395
Spendable:	
Restricted:	
Emergency reserves	10,800
Assigned and subsequent years expenditures	68,082
Unassigned	351,985
<b>TOTAL FUND BALANCE</b>	<b>431,262</b>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	124,974
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Net position of governmental activities	<b>\$ 556,236</b>
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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 CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**Year Ended December 31, 2019**

	<b>General</b>
<b>REVENUES</b>	
Property taxes	\$ 244,683
Specific ownership taxes	13,798
Conservation trust funds	286
Trash service	9,108
Interest	12,495
Grants and contributions - Wildfire fuel reduction	6,117
Weed program	21
Miscellaneous	20,754
Total revenues	307,262
<b>EXPENDITURES</b>	
Audit	5,435
County treasurer fees	12,238
District management and accounting	72,374
Insurance and dues	7,192
Legal	6,368
Miscellaneous	2,649
Repairs and maintenance -	
General	10,126
Gate	2,116
Irrigation	4,000
Fencing	1,231
Road	18,455
Stable	2,204
Weed	677
Road improvements	2,190
Snow plowing	40,691
Trash removal	9,108
Utilities	10,274
Wildfire fuel reduction	6,224
Capital outlay:	
Fencing	47,635
Total expenditures	261,187
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>46,075</b>
<b>OTHER FINANCING SOURCES</b>	
Transfer from other funds	60,000
Total other financing sources	60,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>106,075</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>325,187</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 431,262</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  
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019**

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

Net change in fund balance - Total governmental funds	<u>\$ 106,075</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	47,635
Depreciation	<u>(9,591)</u>
Change in net position - governmental activities	<u>\$ 144,119</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 CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 244,682	\$ 244,683	\$ 1
Specific ownership taxes	8,000	13,798	5,798
Conservation trust funds	200	286	86
Trash service	8,000	9,108	1,108
Interest	5,600	12,495	6,895
Grants and contributions - Wildfire fuel reduction	-	6,117	6,117
Weed program	1,000	21	(979)
Miscellaneous	-	20,754	20,754
Total revenues	<u>267,482</u>	<u>307,262</u>	<u>39,780</u>
<b>EXPENDITURES</b>			
General government:			
Audit	5,000	5,435	(435)
County treasurer fees	12,250	12,238	12
District management and accounting	35,000	72,374	(37,374)
Insurance and dues	6,500	7,192	(692)
Legal	1,000	6,368	(5,368)
Miscellaneous	2,500	2,649	(149)
Repairs and maintenance:			
General	1,000	10,126	(9,126)
Ditch	10,000	-	10,000
Gate	1,500	2,116	(616)
Irrigation	15,000	4,000	11,000
Fencing	-	1,231	(1,231)
Road	23,000	18,455	4,545
Stable	20,000	2,204	17,796
Weeds	6,500	677	5,823
Well	36,000	-	36,000
Road improvements	41,000	2,190	38,810
Snow plowing	45,000	40,691	4,309
Trash removal	10,500	9,108	1,392
Utilities	10,000	10,274	(274)
Wildfire fuel reduction	9,000	6,224	2,776
Emergency reserve	8,024	-	8,024
Capital outlay:			
Fencing	41,000	47,635	(6,635)
Total expenditures	<u>339,774</u>	<u>261,187</u>	<u>78,587</u>
<b>EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES</b>			
	<u>(72,292)</u>	<u>46,075</u>	<u>118,367</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers from other funds	-	60,000	60,000
Total other financing sources	<u>-</u>	<u>60,000</u>	<u>60,000</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	(72,292)	106,075	178,367
<b>FUND BALANCE - BEGINNING OF YEAR</b>			
	<u>275,392</u>	<u>325,187</u>	<u>49,795</u>
<b>FUND BALANCE - END OF YEAR</b>			
	<u>\$ 203,100</u>	<u>\$ 431,262</u>	<u>\$ 228,162</u>

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

**WILLOW BROOK METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
December 31, 2019**

	<b>Water</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 216,239
Accounts receivable:	
Customer	13,271
County treasurer	967
Property taxes receivable	306,095
Total current assets	536,572
<b>CAPITAL ASSETS</b>	
Capital assets, not being depreciated	74,521
Capital assets, being depreciated	2,999,718
	3,074,239
Less accumulated depreciation and amortization	(498,980)
Total capital assets	2,575,259
<b>TOTAL ASSETS</b>	<b>\$ 3,111,831</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 42,724
Loan payable - current portion	40,645
Total current liabilities	83,369
<b>NONCURRENT LIABILITIES</b>	
Loans payable - CWR&PDA	1,364,347
Total liabilities	1,447,716
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	306,095
Total deferred inflows of resources	306,095
<b>NET POSITION</b>	
Net investment in capital assets	1,170,267
Restricted for emergencies	48,500
Unrestricted	139,253
Total net position	1,358,020
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 3,111,831</b>

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 CHANGE IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**Year Ended December 31, 2019**

	<b>Water</b>
<b>OPERATING REVENUES</b>	
Service charges	\$ 62,509
Miscellaneous	46
Total operating revenues	62,555
 <b>OPERATING EXPENSES</b>	
Maintenance contract	23,160
Repairs and maintenance	7,167
Utilities	111
Water billing	14,629
Water testing	1,607
Water system repairs	11,856
Depreciation	65,215
Total operating expenses	123,745
 <b>OPERATING INCOME</b>	(61,190)
 <b>NONOPERATING REVENUES AND (EXPENSES)</b>	
Property taxes	199,557
Specific ownership taxes	11,303
Interest	57
County treasurer fees	(9,981)
Loss on disposal of capital assets	(22,443)
Total nonoperating revenues (expenses)	178,493
 <b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	117,303
 <b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	
Tap fees	15,773
Transfer to other funds	(60,000)
Total capital contributions and transfers	(44,227)
 <b>CHANGE IN NET POSITION</b>	73,076
 <b>NET POSITION - BEGINNING OF YEAR</b>	1,284,944
<b>NET POSITION - END OF YEAR</b>	\$ 1,358,020

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, 2019**

	<b>Water</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 61,816
Payments to vendors	(37,195)
Net cash provided by operating activities	24,621
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Property and specific ownership taxes received	210,697
County treasurer fees paid	(9,981)
Tap fees	15,773
Road fee deposit	(6,810)
Acquisition of capital assets	(1,376,089)
Loan proceeds	1,404,992
Transfer to general fund	(60,000)
Net cash provided by capital financing activities	178,582
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	57
Net cash provided by investing activities	57
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	203,260
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	12,979
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 216,239
<b>RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	
Net loss from operations	\$ (61,190)
Adjustments to reconcile net loss from operations to net cash used in operating activities:	
Depreciation	65,215
Effects of changes in operating assets and liabilities:	
Accounts receivable	(739)
Accounts payable and other liabilities	21,335
Net cash provided by operating activities	\$ 24,621

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, 2019**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

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

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

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

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

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

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds 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 and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities. Tap fees are recorded as capital contributions when received.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership 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. The

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

District accounts for capital purchases in a Capital Projects Fund which is combined with the Water Fund for financial reporting purposes.

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

For District management purposes, the District adopts budgets for the General Fund, Capital Projects Fund and the Water Fund. However, for financial reporting purposes the Capital Projects Fund is combined into the Water Fund as the capital projects are related to water operations. The Water Fund appropriation of \$2,003,689 for financial reporting purposes is comprised of adopted budget amounts of \$1,958,089 for the Capital Projects Fund and \$45,600 for the Water Fund.

**Pooled Cash and Investments**

The District follows the practice of pooled 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.

**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, 2019**

**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 30 or if in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District.

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

**Capital Assets**

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

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

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

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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 revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Tap Fees and Contributed Lines**

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

**Fund Balances - Governmental Funds**

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

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

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.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Cash and investments	<u>\$ 677,348</u>
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Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	\$ 37,012
Investments	<u>640,336</u>
	<u>\$ 677,348</u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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, 2019, the District's cash deposits had a bank balance of \$58,979 and carrying balance of \$37,012.

**Credit Risk**

**Investments**

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

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

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

- . 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

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, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	<u>\$ 640,336</u>

**Colostrust**

During 2019, the District invested in the Colorado Local Government Liquid Asset Trust (Colostrust), 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 Colostrust. Colostrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colostrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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. A designated custodial bank serves as custodian for Colostrust's portfolios pursuant to a custodian agreement.

**WILLOW BROOK METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. As of December 31, 2019, the District had \$640,336 invested in COLOTRUST PLUS+ in the name of the District. Colotrust is rated AAA by S&P Global Ratings.

**Investment Valuation**

Certain investments that are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

However, the District's investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments include 2a7-like external investment pools. The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value (NAV) per share (or its equivalent) of the investment.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of Colotrust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

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

<b>Governmental activities:</b>	<b>Balance at December 31, 2018</b>	<b>Additions</b>	<b>Disposals/ Retirements</b>	<b>Balance at December 31, 2019</b>
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	114,147	-	-	114,147
Bridge improvements	77,674	-	-	77,674
Buildings and improvements	165,243	47,635	-	212,878
Total capital assets being depreciated	<u>357,064</u>	<u>47,635</u>	<u>-</u>	<u>404,699</u>
Less accumulated depreciation for:				
Road improvements	(114,147)	-	-	(114,147)
Bridge improvements	(16,829)	(2,589)	-	(19,418)
Buildings and improvements	(150,918)	(7,002)	-	(157,920)
Total accumulated depreciation	<u>(281,894)</u>	<u>(9,591)</u>	<u>-</u>	<u>(291,485)</u>
Total capital assets being depreciated, net	<u>75,170</u>	<u>38,044</u>	<u>-</u>	<u>113,214</u>
Total capital assets, net	<u>\$ 86,930</u>	<u>\$ 38,044</u>	<u>\$ -</u>	<u>\$ 124,974</u>

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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

<b>Business-type activities:</b>	<b>Balance at December 31, 2018</b>	<b>Additions</b>	<b>Disposals/ Retirements</b>	<b>Balance at December 31, 2019</b>
Capital assets, not being depreciated:				
Water rights	\$ 40,466	\$ -	\$ -	\$ 40,466
Construction in process	-	34,055	-	34,055
Total capital assets, not being depreciated	<u>40,466</u>	<u>34,055</u>	<u>-</u>	<u>74,521</u>
Capital assets, being depreciated:				
Water system	1,922,859	1,342,034	(265,175)	2,999,718
Total capital assets being depreciated	<u>1,922,859</u>	<u>1,342,034</u>	<u>(265,175)</u>	<u>2,999,718</u>
Less accumulated depreciation for:				
Water system	(676,497)	(65,215)	242,732	(498,980)
Total accumulated depreciation	<u>(676,497)</u>	<u>(65,215)</u>	<u>242,732</u>	<u>(498,980)</u>
Total capital assets being depreciated, net	<u>1,246,362</u>	<u>1,276,819</u>	<u>(22,443)</u>	<u>2,500,738</u>
Total capital assets, net	<u>\$ 1,286,828</u>	<u>\$ 1,310,874</u>	<u>\$ (22,443)</u>	<u>\$ 2,575,259</u>

**NOTE 5 – LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2019:

<b>Business-Type Activities</b>	<b>Balance at December 31, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2019</b>	<b>Due Within One Year</b>
CWR&PDA Loan #D19F427	\$ -	\$ 1,404,992	\$ -	\$ 1,404,992	\$ 40,645
	<u>\$ -</u>	<u>\$ 1,404,992</u>	<u>\$ -</u>	<u>\$ 1,404,992</u>	<u>\$ 40,645</u>

The District entered into a \$1,750,000 Drinking Water Revolving Fund Direct Loan, dated April 24, 2019, with 2.5% interest, payments commencing May 1, 2020 and a term of 20 years. The purpose of the loan is to provide funding for improvements to the District’s water system. At the

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

end of 2019 the District has borrowed \$1,404,992 and the loan agreement allows for additional reimbursements in the amount of \$345,008, up to a total of \$1,750,000. Principal and interest payments of \$56,784 are payable semi-annually on May 1 and November 1 until the final maturity date of November 1, 2039. The District may prepay the loan, in whole or in part without penalty.

Significant events of default under the loan include (i) failure to pay within 30 days, (ii) failure to pay principal and interest on any bonds, notes or other obligations, (iii) failure to meet financial or custodial agreement covenants, (iv) any representation made that is false or misleading in any material respect, (v) a petition if filed for bankruptcy or insolvency.

Immediately upon the occurrence of an event of default or the failure of the lender to receive any payment of principal or interest on the due date thereof, the loan balance shall bear interest at the greater of twelve percent per annum or the Prime Rate plus one half of one percent per annum, but in no event in excess of the maximum rate permitted by law.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the loan:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 40,645	\$ 25,450	\$ 66,095
2021	71,278	42,291	113,569
2022	73,071	40,498	113,569
2023	74,909	38,660	113,569
2024	76,794	36,775	113,569
2025-2029	413,935	153,910	567,845
2030-2034	468,686	99,159	567,845
2035-2036	185,674	22,273	207,947
	<u>\$1,404,992</u>	<u>\$ 459,016</u>	<u>\$1,864,008</u>

**NOTE 6 – 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

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 6 – INTERGOVERNMENTAL AGREEMENT (CONINUTED)**

for Town residents. The District has built the connection to the Town's water system, including a master meter and will purchase water necessary to supplement the District's supply. The District is responsible for reading customer meters within the District and billing customers for water used. The District will be charged at the rate of 1-1/2 times the rate for the Town's residents and will be billed by the Town quarterly for each quarter of the calendar year during which water is actually delivered to the District.

**NOTE 7 – FUND EQUITY**

At December 31, 2019, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$395 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 \$10,800 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).

**Assigned Fund Balance**

The assigned fund balance in the General Fund in the amount of \$68,082 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 8 - NET POSITION**

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

The net investment in capital assets consists of capital assets, net of accumulated depreciation and debt. As of December 31, 2019, the District had net investment in capital assets of \$1,295,241, comprised of \$124,974 in the governmental activities and \$1,170,267 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

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 8 – NET POSITION (CONTINUED)**

through constitutional provisions or enabling legislation. The District’s restricted net position at December 31, 2019 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Restricted net position:			
Emergency reserves (see Note 9)	\$ 10,800	\$ 48,500	\$ 59,300
	<u>\$ 10,800</u>	<u>\$ 48,500</u>	<u>\$ 59,300</u>

In the government-wide financial statements, the District’s unrestricted net position at December 31, 2019 totaled \$559,715, comprised of \$420,462 in the governmental activities and \$139,253 in the business-type activities.

**NOTE 9 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be 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, 2019. 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.

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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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

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

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

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

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

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

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

tax reduction or other limitation contained within Article X, Section 20 of the Colorado Constitution, Section 29-1-301, Colorado Revised Statutes, or any other applicable law?

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

Shall Willow Brook Metropolitan District taxes be increased \$210,000 annually in 2012 (representing total income of \$210,000 bringing the District back to 2012 collections), and by that amount plus inflation and local growth in every year thereafter, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses; such taxes to consist of an ad valorem mill levy imposed without limitation of rate or with such limitations as may be determined by the District Board, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be determined by the District Board; and shall the proceeds of such taxes and investment income thereon constitute a voter-approved revenue change in 2014 and each year thereafter and be collected and spent by the District each year, without limiting or affecting the collection or expenditure of other revenues and without regard to any spending, revenue-raising, tax reduction or other limitation contained within Article X, Section 20 of the Colorado Constitution, Section 29-1-301, Colorado Revised Statutes, or any other applicable law?

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

On November 6, 2018, the eligible electors of the District approved the following ballot measure:

Shall Willow Brook Metropolitan District debt be increased \$1,750,000, with a repayment cost of \$3,950,000; and shall Willow Brook Metropolitan District taxes be increased \$200,000 annually, or by such lesser annual amount as may be necessary to pay the district's debt: such debt to consist of general obligation bonds, special assessment bonds, revenue bonds, or other obligations, including contracts, issued or incurred for the purpose of paying, reimbursing, or financing all or any part of the costs of acquiring, constructing, relocating, installing, completing, repairing, replacing and otherwise providing, within or without the boundaries of the district, a complete potable and non-potable water supply, storage, transmission, and distribution system, including but not limited to transmission lines, distribution mains and laterals, irrigation facilities, and storage facilities, together with all necessary, incidental, and appurtenant facilities, equipment, land, and easements, and extensions of and improvements to said facilities, such debt to bear interest at a net effective interest rate not in excess of 10% per annum, such interest to be payable at such time or times and which may compound periodically as may be determined by the district board of directors, such debt to be sold in one series or more at a price above, below, or equal to the principal amount of such debt and on such terms and conditions as the district board of directors may determine, including provisions for redemption of the debt prior to maturity with or without payment of premium in an amount determined by the district board of directors, such debt to be paid from any legally available moneys of the district, including but not limited to the proceeds of ad valorem property taxes, specific ownership taxes and special assessments; such taxes to consist of an ad valorem mill levy imposed on all taxable property of the district, without limitation of rate or with such limitations as may be determined by the district board of directors, specific ownership taxes and special assessments, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, to be used solely for the purpose of paying the principal of, premium if any, and interest on the district's debt; and shall the proceeds of any such debt and the proceeds of such taxes, any other revenue used to pay such debt, and investment income thereon, be collected and spent by the district as a voter-approved revenue change, 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?

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

On November 6, 2018, the eligible electors of the District approved the following ballot measure:

Shall Willow Brook Metropolitan District debt be increased \$550,000, with a repayment cost of \$1,500,000; and shall Willow Brook Metropolitan District taxes be increased \$100,000 annually, or by such lesser annual amount as may be necessary to pay the district's debt: such debt to consist of general obligation bonds, special assessment bonds, revenue bonds, or other obligations, including contracts, issued or incurred for the purpose of paying, reimbursing, or financing all or any part of the costs of acquiring, constructing, relocating, installing, completing, repairing, replacing and otherwise providing, within or without the boundaries of the district, street improvements including but not limited to curbs, gutters, culverts, other drainage facilities, sidewalks, bridges, parking facilities, paving, lighting, grading, landscaping, and other street improvements, together with all necessary, incidental, and appurtenant facilities, equipment, land, and easements, and extensions of and improvements to said facilities, such debt to bear interest at a net effective interest rate not in excess of 10% per annum, such interest to be payable at such time or times and which may compound periodically as may be determined by the district board of directors, such debt to be sold in one series or more at a price above, below, or equal to the principal amount of such debt and on such terms and conditions as the district board of directors may determine, including provisions for redemption of the debt prior to maturity with or without payment of premium in an amount determined by the district board of directors, such debt to be paid from any legally available moneys of the district, including but not limited to the proceeds of ad valorem property taxes, specific ownership taxes and special assessments; such taxes to consist of an ad valorem mill levy imposed on all taxable property of the district, without limitation of rate or with such limitations as may be determined by the district board of directors, specific ownership taxes and special assessments, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, to be used solely for the purpose of paying the principal of, premium if any, and interest on the district's debt; and shall the proceeds of any such debt and the proceeds of such taxes, any other revenue used to pay such debt, and investment income thereon, be collected and spent by the district as a voter-approved revenue change, 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?

**WILLOW BROOK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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 11 – SUBSEQUENT EVENT**

On May 28, 2020 the District entered into a loan in the amount of \$550,000 with InBank (“Loan”). The Loan is for a term of 10 years at a fixed interest rate for 5 years of 4.0%, adjusting on the 5<sup>th</sup> anniversary of the note date to the prevailing 5-year US Treasury rate plus 3.0% with a Floor Rate of 4.0%. The proceeds from the Loan are to be used to make improvements to the District’s streets. Principal and interest on the Loan is payable semi-annually in June and December each year.

**SUPPLEMENTAL INFORMATION**

**WILLOW BROOK METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**WATER FUND**  
**Year Ended December 31, 2019**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 199,560	\$ 199,557	\$ (3)
Specific ownership taxes	8,429	11,303	2,874
Service charges	45,600	62,509	16,909
Loan proceeds	1,750,000	1,404,992	(345,008)
Tap fees	-	15,773	15,773
Interest	100	57	(43)
Miscellaneous	-	46	46
Total revenues	<u>2,003,689</u>	<u>1,694,237</u>	<u>(309,452)</u>
<b>EXPENDITURES</b>			
County treasurer fees	9,978	9,981	(3)
Audit	5,000	-	5,000
District management	-	-	-
Legal	9,500	-	9,500
Loan expenses	105,000	-	105,000
Maintenance contract	24,000	23,160	840
Repairs and maintenance	3,000	7,167	(4,167)
Utilities	100	111	(11)
Water billing	1,500	14,629	(13,129)
Water testing	1,000	1,607	(607)
Water system repairs	15,000	11,856	3,144
Capital outlay:			
Fire protection/water system improvements	-	17,500	(17,500)
Ruby Ranch water & road system evaluation	-	8,995	(8,995)
Road paving project	-	7,560	(7,560)
Water system improvements	1,715,625	1,342,034	373,591
Total expenditures	<u>1,889,703</u>	<u>1,444,600</u>	<u>445,103</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>113,986</u>	<u>249,637</u>	<u>135,651</u>
<b>OTHER FINANCING USES</b>			
Transfer to other funds	(60,000)	(60,000)	-
Total other financing uses	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	53,986	189,637	135,651
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	-	(1,884)	(1,884)
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 53,986</u>	<u>\$ 187,753</u>	<u>\$ 133,767</u>

Funds available is computed as follows:

Current assets	\$ 536,572
Current liabilities and deferred inflows of resources	(348,819)
	<u>\$ 187,753</u>

**WILLOW BROOK METROPOLITAN DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION  
PROPRIETARY FUND**

**Year Ended December 31, 2019**

Revenues (budgetary basis) and per Statement of Revenues,	
Expenses and Change in Fund Net Position	\$ 1,694,237
Loan proceeds	(1,404,992)
	<u>289,245</u>
Revenues per Statement of Revenues, Expenses and Change in Fund Net Position	<u>289,245</u>
Expenditures (budgetary basis)	1,504,600
Depreciation	65,215
Capital outlay - water system improvements	(1,342,034)
Capital outlay - construction in process	(34,055)
Loss on asset disposal	22,443
	<u>216,169</u>
Expenses per Statement of Revenues, Expenses and Change in Fund Net Position	<u>216,169</u>
Change in Net Position per Statement of Revenues, Expenses and Change in Fund Net Position	<u>\$ 73,076</u>

## **OTHER INFORMATION**

**WILLOW BROOK METROPOLITAN DISTRICT  
SCHEDULES OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2019**

**\$1,750,000 CWRPDA Loan  
Dated April 24, 2019  
Principal Due May 1  
and November 1**

<u>Year Ending December 31,</u>	<u>Interest Rate of 2.5%</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 40,645	\$ 25,450	\$ 66,095
2021	71,278	42,291	113,569
2022	73,071	40,498	113,569
2023	74,909	38,660	113,569
2024	76,794	36,775	113,569
2025	78,725	34,844	113,569
2026	80,706	32,863	113,569
2027	82,736	30,833	113,569
2028	84,817	28,752	113,569
2029	86,951	26,618	113,569
2030	89,138	24,431	113,569
2031	91,380	22,189	113,569
2032	93,680	19,889	113,569
2033	96,036	17,533	113,569
2034	98,452	15,117	113,569
2035	100,929	12,640	113,569
2036	84,745	9,633	94,378
	<u>\$ 1,404,992</u>	<u>\$ 459,016</u>	<u>\$ 1,864,008</u>

**WILLOWBROOK METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2019**

<b><u>Year Ended December 31,</u></b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b><u>Mills Levied</u></b>	<b><u>Total Property Taxes</u></b>		<b><u>Percentage Collected to Levied</u></b>
			<b><u>Levied</u></b>	<b><u>Collected</u></b>	
2015	\$ 5,006,590	62.130	\$ 311,059	\$ 311,061	100.00%
2016	\$ 5,500,670	61.840	\$ 340,161	\$ 340,163	100.00%
2017	\$ 5,504,220	61.840	\$ 340,381	\$ 369,565	108.57%
2018	\$ 5,447,350	62.400	\$ 339,915	\$ 310,730	91.41%
2019	\$ 5,425,330	81.883	\$ 444,242	\$ 444,240	100.00%
Estimated for the year ending December 31, 2020	\$ 5,920,950	93.642	\$ 554,449		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.

**Willow Brook Metropolitan District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2019**

<b>Federal Agency/Pass-through Entity/Cluster/Program</b>	<b>CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Amount</b>
<i>U.S. Environmental Protection Agency</i>			
Pass Through: Colorado Resources Power Development Authority			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		<u>\$ 1,404,992</u>
<i>Total U.S. Environmental Protection Agency</i>			<u>1,404,992</u>
Total Expenditures of Federal Awards			<u>\$ 1,404,992</u>

# **Willow Brook Metropolitan District Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019**

## ***Notes to the Schedule***

1. This schedule includes the federal awards activity of Willow Brook Metropolitan District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of *the Uniform Guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Willow Brook Metropolitan District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.
3. Of the federal expenditures presented in this schedule, the Agency provided no federal awards to sub-recipients.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Board of Directors  
Willow Brook Metropolitan District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Willow Brook Metropolitan District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Willow Brook Metropolitan District’s basic financial statements, and have issued our report thereon date June 19, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Willow Brook Metropolitan District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Willow Brook Metropolitan District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Willow Brook Metropolitan District’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

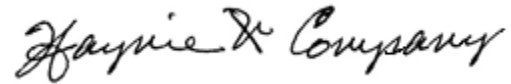
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Willow Brook Metropolitan District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Haynie & Company". The signature is written in a cursive, flowing style.

Littleton, Colorado

June 19, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

To the Board of Directors  
Willow Brook Metropolitan District

**Report on Compliance for Each Major Federal Program**

We have audited Willow Brook Metropolitan District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Willow Brook Metropolitan District's major federal programs for the year ended December 31, 2019. Willow Brook Metropolitan District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Willow Brook Metropolitan District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Willow Brook Metropolitan District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Willow Brook Metropolitan District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Willow Brook Metropolitan District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

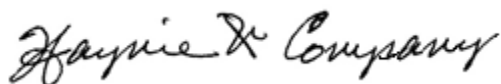
## Report on Internal Control over Compliance

Management of Willow Brook Metropolitan District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Willow Brook Metropolitan District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Willow Brook Metropolitan District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Littleton, CO  
June 19, 2020

# Willow Brook Metropolitan District Supplemental Information

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## Schedule of Findings and Questioned Costs for the Year Ended December 31, 2019

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### 1. Summary of Auditor's Results

Type of report issued on the financial statements:	<b>Unmodified</b>
Material weaknesses in financial reporting internal control noted:	<b>None</b>
Significant deficiency(s) identified that are not considered to be material weaknesses in financial reporting:	<b>None</b>
Material noncompliance noted:	<b>None</b>
Material weaknesses in internal control over major programs:	<b>None</b>
Significant deficiency(s) identified that are not considered to be material weaknesses over major programs:	<b>None</b>
Type of report issued on compliance for major programs:	<b>Unmodified</b>
Audit findings required to be reported:	<b>None</b>
The following programs are considered to be major:	
<p><b>Colorado Water Resources and Power Development Authority Capitalization Grants for Drinking Water State Revolving Funds — CFDA 66.468</b></p>	
Dollar threshold used to distinguish Type A and Type B programs:	<b>\$750,000</b>
Risk type qualification:	<b>Not low-risk</b>

### 2. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

None

### 3. Findings and questioned costs for Federal Awards

None

### 4. Summary Schedule of Prior Audit Findings

None