

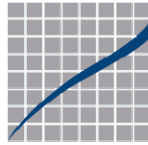
WILLOW SPRINGS RANCH METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Willow Springs Ranch Metropolitan District
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Willow Springs Ranch Metropolitan District ("District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2020, the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Management has omitted 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 which 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 opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 26, 2021

BASIC FINANCIAL STATEMENTS

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 2,628
Cash and investments - restricted	5,142,375
Accounts receivable - County Treasurer	66
Property taxes receivable	9,277
Capital assets, not being depreciated:	
Construction in progress	4,272,752
Total assets	9,427,098
<u>LIABILITIES</u>	
Accounts payable	1,701
Accrued interest payable	240,894
Noncurrent liabilities:	
Due in more than one year	10,247,689
Total liabilities	10,490,284
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property tax revenues	9,277
Total deferred inflows of resources	9,277
<u>NET POSITION</u>	
Restricted for:	
Debt service	864,151
Emergency reserve	1,029
Unrestricted	(1,937,643)
Total net position	\$ (1,072,463)

The accompanying notes and independent auditor's report
should be read with this financial statement.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
General government	\$ 34,269	\$ -	\$ -	\$ -	\$ (34,269)
Interest and related costs on long-term debt	566,012	-	-	-	(566,012)
Total primary government	<u>\$ 600,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(600,281)</u>
GENERAL REVENUES					
Property taxes					7,543
Specific ownership taxes					820
Investment income					21,696
Total general revenues					<u>30,059</u>
Changes in net position					(570,222)
Net position, beginning of year					<u>(502,241)</u>
Net position, end of year					<u>\$ (1,072,463)</u>

The accompanying notes and independent auditor's report should be read with this financial statement.

**WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$ 2,628	\$ -	\$ -	\$ 2,628
Cash and investments - restricted	-	4,059,694	1,082,681	5,142,375
Accounts receivables - County Treasurer	66	-	-	66
Property taxes receivable	9,277	-	-	9,277
Due from other funds	-	-	22,364	22,364
Total assets	<u>\$ 11,971</u>	<u>\$ 4,059,694</u>	<u>\$ 1,105,045</u>	<u>\$ 5,176,710</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 1,701	\$ -	\$ -	1,701
Due to other funds	7,696	14,668	-	22,364
Total liabilities	<u>9,397</u>	<u>14,668</u>	<u>-</u>	<u>24,065</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred property tax revenues	9,277	-	-	9,277
Total deferred inflows of resources	<u>9,277</u>	<u>-</u>	<u>-</u>	<u>9,277</u>
<u>FUND BALANCE</u>				
Restricted for:				
Capital projects	-	4,045,026	-	4,045,026
Debt service	-	-	1,105,045	1,105,045
Emergency reserve	1,029	-	-	1,029
Unassigned:				
General government	(7,732)	-	-	(7,732)
Total fund balances	<u>(6,703)</u>	<u>4,045,026</u>	<u>1,105,045</u>	<u>5,143,368</u>
Total liabilities and fund balances	<u>\$ 11,971</u>	<u>\$ 4,059,694</u>	<u>\$ 1,105,045</u>	

Amounts reported in 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:

Construction in progress	4,272,752
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(240,894)
Bonds payable	(10,247,689)

Net position of governmental activities	<u>\$ (1,072,463)</u>
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The accompanying notes and independent auditor's report
should be read with this financial statement.

**WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>				
Property taxes	\$ 7,543	\$ -	\$ -	\$ 7,543
Specific ownership taxes	820	-	-	820
Investment income	18,311	-	3,385	21,696
Total revenues	26,674	-	3,385	30,059
<u>EXPENDITURES</u>				
Current:				
Accounting	8,100	-	-	8,100
Bank charges	-	-	-	-
County Treasurer's fees	113	-	-	113
Dues	389	-	-	389
Insurance	2,050	-	-	2,050
Legal	17,673	-	-	17,673
Management fees	5,848	-	-	5,848
Office expense	96	-	-	96
Debt service:				
Interest expense	-	-	354,583	354,583
Cost of issuance	-	-	5,000	5,000
Capital projects:				
Capital outlay	-	3,814,816	-	3,814,816
Total expenditures	34,269	3,814,816	359,583	4,208,668
Excess of revenues over expenditures	(7,595)	(3,814,816)	(356,198)	(4,178,609)
<u>OTHER FINANCING SOURCES (USES)</u>				
Developer advance	-	-	13,327	13,327
Total other financing sources (uses)	-	-	13,327	13,327
Net change in fund balances	(7,595)	(3,814,816)	(342,871)	(4,165,282)
Fund balances, beginning of year	892	7,859,842	1,447,916	9,308,650
Fund balances, end of year	\$ (6,703)	\$ 4,045,026	\$ 1,105,045	\$ 5,143,368

The accompanying notes and independent auditor's report should be read with this financial statement.

**WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

<u>Net change in fund balances - total governmental funds</u>	\$ (4,165,282)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statements of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocations of the cost of any depreciable assets over the estimated useful lives of the assets. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

<u>Construction in progress</u>	3,814,816
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences is the treatment of long-term debt and related items as follows:

<u>Amortization of bond premium</u>	10,652
<u>Net repayment of developer advance</u>	(13,327)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

<u>Accrued interest payable - change in liability</u>	<u>(217,081)</u>
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<u>Changes in net position of governmental activities</u>	<u>\$ (570,222)</u>
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The accompanying notes and independent auditor's report
should be read with this financial statement.

**WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Property taxes	\$ 5,819	\$ 7,543	\$ 7,543	-
Specific ownership taxes	407	820	820	-
Investment income	-	-	18,311	18,311
Total revenues	6,226	8,363	26,674	18,311
<u>EXPENDITURES</u>				
Accounting	20,000	8,100	8,100	-
County Treasurer's fees	87	113	113	-
Dues	350	390	389	1
Insurance	3,000	3,000	2,050	950
Legal	12,000	18,000	17,673	327
Management fees	8,000	5,848	5,848	-
Contingency	188	-	-	-
Office expense	-	100	96	4
Total expenditures	43,625	35,551	34,269	1,282
Net change in fund balance	\$ (37,399)	\$ (27,188)	\$ (7,595)	\$ 19,593
Fund balance, beginning of year			892	
Fund balance, end of year			\$ (6,703)	

The accompanying notes and independent auditor's report
should be read with this financial statement.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. DEFINITION OF REPORTING ENTITY

Willow Springs Ranch Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in June 11, 2008, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to construct public improvements including road and bridge, landscaping, sanitary and storm sewer, water systems, park and recreation, channel and other drainage improvements needed for the area.

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 and 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (continued)

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.

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

Measurement focus, basis of accounting and financial statement position

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 collectable 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 major sources of revenue susceptible to accrual are taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

General fund - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Capital projects fund - The capital projects fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Debt service fund - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used in payment of long-term debt.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, and other financing uses level and lapses at year-end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled cash and investments

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

Capital assets, which include property, equipment and infrastructure assets (e.g. roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair value at the date of contribution.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the life of an 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 estimated economic useful lives of the assets, which range from 20 to 40 years.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 and attaches as an enforceable lien 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 or, at the taxpayer's election, in February and June in equal installments. 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 to the District monthly.

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

Deferred inflows of resources

In addition to liabilities, the statement of net position reports 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 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. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (continued)

Fund balance

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed fund balance - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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 - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance - The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 2,628
Cash and investments - restricted	<u>5,142,375</u>
	<u><u>\$ 5,145,003</u></u>

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 2,628
Investments	<u>5,142,375</u>
	<u><u>\$ 5,145,003</u></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. The 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 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, 2020, the District's cash deposits had a bank balance and carrying balance of \$2,628.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CASH AND INVESTMENTS (CONTINUED)

Investments

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

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- Obligations of the United States and certain United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2020, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Federated Treasury Obligation Fund	Less than 1 year	<u>\$ 5,142,375</u>

The Federated Treasury Obligation Fund portfolio is a money market fund that is managed by Federated Investors and each share is equal in value to \$1. The fund is rated AAAM and invests in high quality short-term U.S. government securities. The average maturity of the underlying securities is 90 days or less.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. CAPITAL ASSETS

Capital assets largely consist of construction in progress of road and bridge improvements, water and wastewater systems, drainage and landscaping. Capital asset activity for the year ended December 31, 2020 is as follows:

	Balance 01/01/20	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/20
Capital assets, not being depreciated:				
Construction in progress	\$ 457,936	\$ 3,814,816	-	\$ 4,272,752

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2020:

	Balance 01/01/20	Additions	Repayments/ Amortization	Balance 12/31/20	Due Within One Year
2019 Series A Bonds	\$ 7,400,000	-	-	\$ 7,400,000	-
2019 Series B Bonds	2,600,000	-	-	2,600,000	-
Bond premium	245,014	-	10,652	234,362	-
Developer advances	-	26,008	12,681	13,327	-
	<u>\$ 10,245,014</u>	<u>\$ 26,008</u>	<u>\$ 23,333</u>	<u>\$ 10,247,689</u>	<u>\$ -</u>

On December 16, 2019 the District issued General Obligation Bonds Series, 2019A ("2019A Bonds") in the amount of \$7,400,000. The 2019A Bonds bear interest from the date of issuance at the rate of 5.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months. Mandatory principal payments are due each December 1 beginning in 2025 through maturity on December 1, 2049.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. LONG-TERM OBLIGATIONS (CONTINUED)

Bonds payable

The 2019A Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) property taxes, specific ownership taxes, capital fees and (2) any other legally available monies which the District determines to be treated as pledged revenue. The 2019A Bonds are also secured by amounts held by the trustee in the reserve fund.

On December 16, 2019 the District issued Subordinate Limited Tax General Obligation Bonds, Series 2019B ("2019B Bonds") in the amount of \$2,600,000. The 2019B Bonds bear interest from the date of issuance at the rate of 7.75% per annum, calculated on the basis of a 360-day year of twelve 30-day month, payable annually from subordinate pledged revenue on December 15. The 2019B Bonds are structured as cash flow bonds, meaning there are no scheduled principal payments prior to final maturity on December 15, 2049.

The 2019B Bonds are secured by and payable from the subordinate pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) subordinate property taxes, subordinate specific ownership taxes, subordinate capital fees, any amounts in the 2019A Surplus Fund and (2) any other legally available monies which the District determines to be treated as pledged revenue. The 2019B Bonds are also secured by amounts held by the trustee in the reserve fund.

The 2019A Bonds and 2019B Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2024, and on the specified dates thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount redeemed, as follows:

Redemption Date	Redemption Premium
December 1, 2024	3.00%
December 1, 2025	2.00%
December 1, 2026	1.00%
December 1, 2027	0.00%

The District is required, pursuant to the bond agreements, to maintain loan payment and reserve cash accounts. The purpose of the reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The reserve account is required to be maintained as long as the bonds are outstanding.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. LONG-TERM OBLIGATIONS (CONTINUED)

Future commitments payable for the 2019A and 2019B Bonds as of December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 370,000	\$ 370,000
2022	-	370,000	370,000
2023	-	370,000	370,000
2024	-	370,000	370,000
2025	95,000	535,442	630,442
2026-2030	630,000	3,435,893	4,065,893
2031-2035	940,000	3,323,574	4,263,574
2036-2040	1,345,000	3,145,418	4,490,418
2041-2045	2,688,000	2,020,533	4,708,533
2046-2049	4,302,000	784,814	5,086,814
Total	<u>\$ 10,000,000</u>	<u>\$ 14,725,674</u>	<u>\$ 24,725,674</u>

Developer advances

In October of 2019, the District entered into a reimbursement agreement with a developer under which the developer will advance the District up to \$50,000 in 2020 and up to \$50,000 in 2021 for the cost of operations and maintenance within the District. The District agreed to repay these advances with interest at the prime rate plus 1.5% per annum from the date of the advances and to repay the balances in full no later than 30 years from the date of the agreement. As of the year end December 31, 2020 the outstanding advances totaled \$13,327.

In October of 2019, the District entered into an additional reimbursement agreement with the developer under which the developer will advance the District for the cost of improvements within the District. The District agreed to repay these advances with interest at the prime rate plus 1.5% per annum from the date of the advances. This agreement will terminate at the earlier of full repayment or 20 years from the date of this agreement at which point any remaining obligations, including principal and accrued interest, will be considered fully forgiven and there will be no further obligation under this agreement.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. NET POSITION

The District has a net position consisting of two components: restricted and unrestricted.

Restricted positions include net positions that are subject to restrictions for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2020 as follows:

Restricted net position:

Debt service (Note 5)	\$ 864,151
Emergencies (Note 10)	<u>1,029</u>
	<u>\$ 865,180</u>

The District's unrestricted net position as of December 31, 2020 totaled a deficit of \$1,937,643. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds.

7. RELATED PARTIES

The developer of the property which constitutes the District is Polo Brown Company. The members of the board of directors are officers, employees or associated with the developers and may have conflicts of interest in dealing with the District.

8. ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to fund general and capital expenditures. Until an independent revenue base is established, general expenses and construction of public improvements will be dependent upon funding by the developers.

See independent auditor's report.

WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2020. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

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 which apply to the State of Colorado and all local governments within the State of Colorado.

Spending and revenue limits are determined based on the prior 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 revenues. The District's electors authorized the District to collect, spend or retain any revenues without regard to any limitations under TABOR.

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.

District management believes the District 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 likely require judicial interpretation.

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See independent auditor's report.

SUPPLEMENTAL INFORMATION

**WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Investment income	\$ -	\$ 18,300	\$ -	\$ (18,300)
Total revenues	-	18,300	-	(18,300)
<u>EXPENDITURES</u>				
Capital outlay	6,113,356	4,400,000	3,814,816	585,184
Project management	700,000	-	-	-
Engineering	200,000	-	-	-
Total expenditures	7,013,356	4,400,000	3,814,816	585,184
Excess of revenues over (under) expenditures	(7,013,356)	(4,400,000)	(3,814,816)	566,884
Net change in fund balance	<u>\$ (7,013,356)</u>	<u>\$ (4,381,700)</u>	(3,814,816)	<u>\$ 566,884</u>
Fund balance, beginning of year			7,859,842	
Fund balance, end of year			<u>\$ 4,045,026</u>	

See independent auditor's report.

**WILLOW SPRINGS RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ 3,370	\$ 3,385	15
Total revenues	-	3,370	3,385	15
EXPENDITURES				
Interest expense	455,208	370,000	354,583	15,417
Cost of issuance	-	5,000	5,000	-
Contingency	-	500	-	500
Operations	6,080	-	-	-
Trustee/paying agent fees	3,000	4,000	-	4,000
Total expenditures	464,288	379,500	359,583	19,917
OTHER FINANCING SOURCES (USES)				
Developer advance	-	-	13,327	13,327
Total other financing sources	-	-	13,327	13,327
Net change in fund balance	<u>\$ (464,288)</u>	<u>\$ (376,130)</u>	(342,871)	<u>\$ 33,259</u>
Fund balance, beginning of year			1,447,916	
Fund balance, end of year			<u>\$ 1,105,045</u>	

See independent auditor's report.