

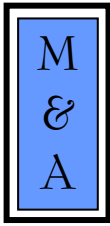
**Willow Brook Metropolitan District  
Summit County, Colorado  
Financial Report**

**December 31, 2004**

**Willow Brook Metropolitan District  
Financial Report  
December 31, 2004**

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## INDEPENDENT AUDITOR'S REPORT

### **Board of Directors Willow Brook Metropolitan District Summit County, Colorado**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Willow Brook Metropolitan District ("District") as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Willow Brook Metropolitan District, as of December 31, 2004, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis in Section B is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**McMahan and Associates, L.L.C.**  
**July 12, 2005**

*Performing services for local governments throughout Colorado*

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Paul J. Backes, C.P.A.*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Willow Brook Metropolitan District Summit County, Colorado

Management's Discussion and Analysis

December 31, 2004

As management of the Willow Brook Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2004.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include the general government which encompasses street maintenance and culture and recreation. The business-type activity of the District is the water system.

The government-wide financial statements can be found on pages C1 and C2 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

## Overview of the Financial Statements (continued)

**Governmental funds (continued):** The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages C3 and C4.

**Proprietary funds:** The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the business-type services provided by the District, which is considered to be a major fund of the District.

The proprietary fund financial statements can be found on pages C5 through C7 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

## Government-wide Financial Analysis

### Willow Brook Metropolitan District Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets:</b>						
Current and other assets	\$ 334,059	326,301	128,574	110,218	462,633	436,519
Capital assets	167,351	168,496	754,519	783,995	921,870	952,491
<b>Total Assets</b>	<b>501,410</b>	<b>494,797</b>	<b>883,093</b>	<b>894,213</b>	<b>1,384,503</b>	<b>1,389,010</b>
<b>Liabilities:</b>						
Current and other liabilities	162,275	185,369	124,095	101,915	286,370	287,284
Long-term liabilities	-	-	354,835	398,292	354,835	398,292
<b>Total Liabilities</b>	<b>162,275</b>	<b>185,369</b>	<b>478,930</b>	<b>500,207</b>	<b>641,205</b>	<b>685,576</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	167,351	168,496	352,536	333,720	519,887	502,216
Restricted for emergencies	6,012	6,295	-	-	6,012	6,295
Unrestricted	165,772	134,637	51,627	60,286	217,399	194,923
<b>Total Net Assets</b>	<b>\$ 339,135</b>	<b>309,428</b>	<b>404,163</b>	<b>394,006</b>	<b>743,298</b>	<b>703,434</b>

Traditionally, the largest portion of most governments net assets are their investments in its capital assets. Land, buildings, equipment, machinery, and specialized tools are necessary in order to deliver and/or provide services to the District's residents and visitors. The District's capital assets account for 67% of its total assets; these assets are not an available source for payment of future spending. \$6,012, or 3%, of the annual budget for governmental activities is restricted for use in the event of an emergency.

At the end of the 2004 fiscal year, the District is able to report positive balances in all three categories of net assets, first for the government as a whole, and then as separate governmental and business-type activities.

## Government-wide Financial Analysis (continued)

The District's capital assets increased due to resurfacing certain sections of the road with recycled asphalt along with installing a fence on the ridge line, while net capital assets decreased due to depreciation. The long-term liabilities outstanding decreased due to principal payments on outstanding debt.

The District's net assets increased \$39,864 during the current fiscal year. The increase can be attributed in part to decreased expense spending compared to budget. The significant decreases in spending were for snow plowing, water improvements, and contingency reserves.

The following chart is a summary of financial information relating to the District's Statement of Activities:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 25,306	32,991	27,363	21,961	52,669	54,952
Capital grants and contributions	-	-	6,655	10,981	6,655	10,981
General revenues:						
Property taxes	151,647	161,371	45,572	48,494	197,219	209,865
Other taxes	12,199	13,050	-	-	12,199	13,050
Interest & other revenue	11,240	2,434	2,585	2,264	13,825	4,698
<b>Total Revenues</b>	<b>200,392</b>	<b>209,846</b>	<b>82,175</b>	<b>83,700</b>	<b>282,567</b>	<b>293,546</b>
<b>Expenses:</b>						
General government	149,285	150,499	-	-	149,285	150,499
Water	-	-	93,418	94,561	93,418	94,561
<b>Total Expenses</b>	<b>149,285</b>	<b>150,499</b>	<b>93,418</b>	<b>94,561</b>	<b>242,703</b>	<b>245,060</b>
<b>Change in net assets before transfers</b>	<b>51,107</b>	<b>59,347</b>	<b>(11,243)</b>	<b>(10,861)</b>	<b>39,864</b>	<b>48,486</b>
Transfers	(21,400)	(20,700)	21,400	20,700	-	-
<b>Change in net assets</b>	<b>29,707</b>	<b>38,647</b>	<b>10,157</b>	<b>9,839</b>	<b>39,864</b>	<b>48,486</b>
<b>Net Assets - Beginning of Year</b>	<b>309,428</b>	<b>270,781</b>	<b>394,006</b>	<b>384,167</b>	<b>703,434</b>	<b>654,948</b>
<b>Net Assets - End of Year</b>	<b>\$ 339,135</b>	<b>309,428</b>	<b>404,163</b>	<b>394,006</b>	<b>743,298</b>	<b>703,434</b>

**Governmental Activities:** Governmental activities increased the District's net assets by \$29,707. Key elements of this increase are as follows:

- The increase is in part due to the decrease in snow plowing expense from previous year.
- Contingency reserve funds budgeted were not actually expended.

**Business-type Activities:** Business-type activities increased the District's net assets by \$10,157. Key elements of this increase are as follows:

- The Water Fund had a net income of \$10,157. On a cash basis, the fund cumulatively decreased their cash holdings by \$11,436. The difference between net income and the cash decrease is largely due to principal payments on long term debt (i.e., for financial reporting purposes, these cash expenditures reduce the liability and are not shown as an expense on the income statement).

## Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Financial Analysis of the District's Funds (continued)

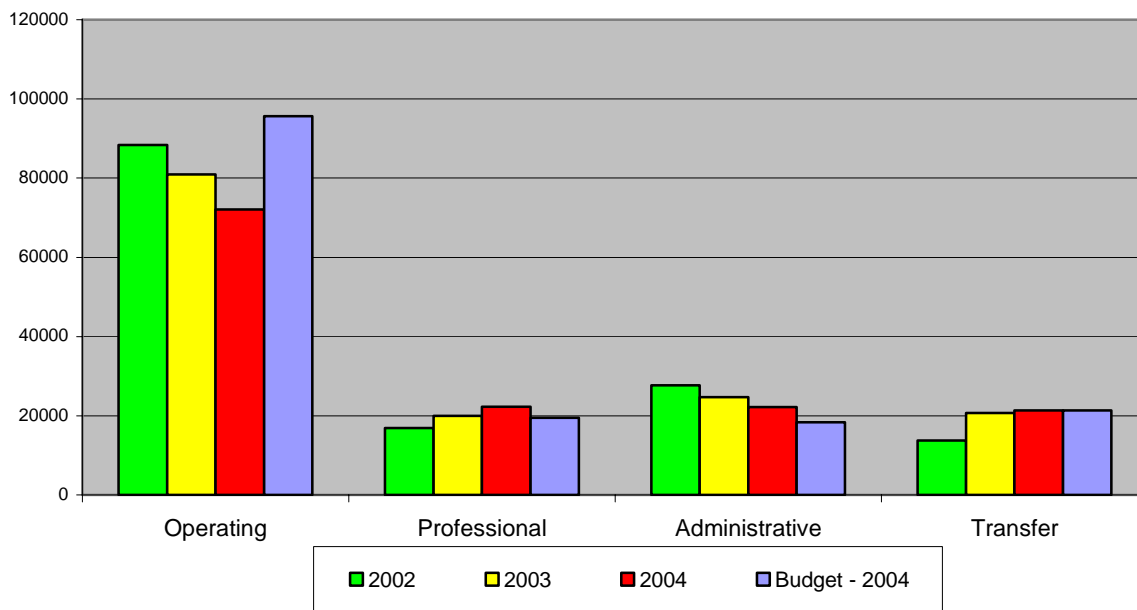
**Governmental funds:** The focus of the District's governmental fund is to provide information on near-term inflows (revenues), outflows (expenses), and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$171,784, an increase of \$30,852 from the prior year ending fund balance.

**Proprietary fund:** The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets for the proprietary fund at the end of the current fiscal year were \$404,163. This consisted largely of capital assets. The proprietary fund's unrestricted net assets totaled \$51,627, and are available for spending at the District's discretion.

**Budget variances in the General Fund:** The following graph illustrates the General Fund's 2002, 2003 and 2004 actual expenditures (including transfers and excluding capital outlay expenditures) and budgeted amounts for 2004.



Overall, General Fund expenditures were \$21,903 under budget. Page E1 offers a detailed breakdown of the General Fund's budget to actual amounts.

- < *Operating* – \$23,518 under budget. During 2004, a contingency reserve was budgeted in the amount of \$14,300, no actual expenses were incurred. In addition, snow plowing was under budget by \$10,611 due to actual costs based on less time and materials than originally budgeted for.
- < *Professional* - \$2,737 over budget.
- < *Administrative* - \$3,749 over budget due to increased cost for barn operations.
- < *Capital Outlay* - \$4,871 under budget due to a less expensive fence material used for the ridge line fence.

## **Financial Analysis of the District's Funds (continued)**

**Capital assets:** The District's investment in capital assets, net of related debt, increased government-wide by \$17,671 due to paving a portion of the road with recycled asphalt as well as adding fencing. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on pages D8 and D9 of this report.

**Long-term debts:** As of the end of the current fiscal year, the District's long-term liabilities decreased by \$43,457 from 2003 as the result of principal payments made in 2004. Additional information as well as a detailed classification of the District's total long-term liabilities can be found in the Notes to the Financial Statements on pages D9 and D10.

**Next year's budget and rates:** The District's General Fund balance at the end of fiscal year 2004 totaled \$171,784. The District anticipates an ending balance at December 31, 2005 of \$99,760. This decrease is primarily due to additional road work scheduled for 2005, and decreased property taxes because of a drop in assessed valuation.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Willow Brook Metropolitan District, District Manager, 7475 Peakview Avenue, Building 10, Englewood, Colorado 80111.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Willow Brook Metropolitan District**  
**Statement of Net Assets**  
**December 31, 2004**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents - Unrestricted	185,145	46,647	231,792
Accounts receivable	-	9,681	9,681
Property taxes receivable	148,914	72,246	221,160
Capital assets, net	167,351	754,519	921,870
<b>Total Assets</b>	<u>501,410</u>	<u>883,093</u>	<u>1,384,503</u>
<b>Liabilities:</b>			
Accounts payable	8,361	4,701	13,062
Deposits	5,000	-	5,000
Deferred property tax	148,914	72,246	221,160
Bonds payable:			
Due within one year	-	47,148	47,148
Due in more than one year	-	354,835	354,835
<b>Total Liabilities</b>	<u>162,275</u>	<u>478,930</u>	<u>641,205</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	167,351	352,536	519,887
Restricted for emergency reserves	6,012	-	6,012
Unrestricted	165,772	51,627	217,399
<b>Total Net Assets</b>	<u>339,135</u>	<u>404,163</u>	<u>743,298</u>

The accompanying notes are an integral part of these financial statements.

**Willow Brook Metropolitan District  
Statement of Activities  
For the Year Ended December 31, 2004**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Functions/Programs</b>						
Governmental activities:						
General Government	148,398	25,306	-	(123,092)	-	(123,092)
<b>Total Governmental     Activities</b>	<u>148,398</u>	<u>25,306</u>	<u>-</u>	<u>(123,092)</u>	<u>-</u>	<u>(123,092)</u>
Business-type activities:						
Water	93,418	27,363	6,655	-	(59,400)	(59,400)
<b>Total Business-type     Activities</b>	<u>93,418</u>	<u>27,363</u>	<u>6,655</u>	<u>-</u>	<u>(59,400)</u>	<u>(59,400)</u>
<b>Total</b>	<u><u>241,816</u></u>	<u><u>52,669</u></u>	<u><u>6,655</u></u>	<u><u>(123,092)</u></u>	<u><u>(59,400)</u></u>	<u><u>(182,492)</u></u>
<b>General Revenues:</b>						
Taxes:						
Property tax, levied for general purpose				151,647	45,572	197,219
Specific ownership tax				12,199	-	12,199
Investment earnings				1,113	2,585	3,698
Transfers				(21,400)	21,400	-
Miscellaneous				10,127	-	10,127
<b>Total General Revenues and Transfers</b>				<u>153,686</u>	<u>69,557</u>	<u>223,243</u>
<b>Change in Net Assets</b>				30,594	10,157	40,751
<b>Net Assets - Beginning of Year</b>				<u>309,428</u>	<u>394,006</u>	<u>703,434</u>
<b>Net Assets - End of ear</b>				<u><u>340,022</u></u>	<u><u>404,163</u></u>	<u><u>744,185</u></u>

The accompanying notes are an integral part of these financial statements.

**FUND FINANCIAL STATEMENTS**

**Willow Brook Metropolitan District  
Balance Sheet  
General Fund  
December 31, 2004  
(With Comparative Totals for 2003)**

	<b>2004</b>	<b>2003</b>
<b>Assets:</b>		
Cash and cash equivalents - Unrestricted	185,145	174,654
Property taxes receivable	148,914	151,647
<b>Total Assets</b>	<b>334,059</b>	<b>326,301</b>
<b>Liabilities:</b>		
Accounts payable	8,361	16,222
Deposits	5,000	17,500
Deferred property taxes	148,914	151,647
<b>Total Liabilities</b>	<b>162,275</b>	<b>185,369</b>
<b>Fund Balance:</b>		
Restricted for emergency reserves	6,012	6,295
Unrestricted	165,772	134,637
<b>Total Fund Balance</b>	<b>171,784</b>	<b>140,932</b>
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	167,351	168,496
<b>Net Assets of Governmental Activities</b>	<b>339,135</b>	<b>309,428</b>

The accompanying notes are an integral part of these financial statements.

**Willow Brook Metropolitan District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**For the Year Ended December 31, 2004**  
**(With Comparative Totals for 2003)**

	<b>2004</b>	<b>2003</b>
<b>Revenues:</b>		
Property taxes	151,647	161,371
Specific ownership taxes	12,199	13,050
Trash service	4,970	5,072
Tap agreement	4,800	7,590
Interest income	1,113	823
Stable	15,536	20,329
Miscellaneous	10,127	1,611
<b>Total Revenues</b>	<b>200,392</b>	<b>209,846</b>
<b>Expenditures:</b>		
<b>Operating:</b>		
Utilities	3,680	2,721
Snow plowing	19,389	28,526
Repairs and maintenance	12,633	17,180
Trash removal	4,043	4,875
Mosquito control	925	875
Stable and meadow maintenance	25,161	14,719
Common area improvements	6,301	11,997
<b>Professional Services:</b>		
Accounting and audit	3,133	3,115
Legal	4,201	3,332
Management fee	14,903	13,500
<b>Administrative:</b>		
Insurance	1,658	3,688
Office supplies	1,389	1,553
Treasurer's fees	9,891	10,519
Tap agreement	4,800	7,590
Miscellaneous	4,404	1,369
<b>Capital Outlay:</b>		
Gate	805	11,440
Fence replacement	5,824	-
Road improvements	25,000	35,880
<b>Total Expenditures</b>	<b>148,140</b>	<b>172,879</b>
<b>Excess of Revenues Over Expenditures</b>	<b>52,252</b>	<b>36,967</b>
<b>Other Financing (Uses):</b>		
Transfers (out)	(21,400)	(20,700)
<b>Total Other Financing (Uses)</b>	<b>(21,400)</b>	<b>(20,700)</b>
<b>Net Change in Fund Balance</b>	<b>30,852</b>	<b>16,267</b>
<b>Fund Balance - Beginning of Year</b>	<b>140,932</b>	<b>124,665</b>
<b>Fund Balance - End of Year</b>	<b>171,784</b>	<b>140,932</b>
 Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance of governmental funds	30,852	16,267
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation during the year.	(258)	22,380
<b>Net Change in Governmental Funds</b>	<b>30,594</b>	<b>38,647</b>

The accompanying notes are an integral part of these financial statements.

**Willow Brook Metropolitan District**  
**Statement of Net Assets**  
**Water Fund**  
**December 31, 2004**  
**(With Comparative Totals for 2003)**

	<b>2004</b>	<b>2003</b>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents - Unrestricted	46,647	58,083
Accounts receivable	9,681	6,563
Property taxes receivable	72,246	45,572
<b>Total Current Assets</b>	128,574	110,218
<b>Capital Assets:</b>		
Water system	1,176,033	1,176,033
Water rights	40,466	40,466
Equipment	2,906	2,906
Accumulated depreciation	(464,886)	(435,410)
<b>Total Capital Assets</b>	754,519	783,995
<b>Total Assets</b>	883,093	894,213
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable	4,701	4,360
Deferred property tax	72,246	45,572
Bonds payable - Current	47,148	51,983
<b>Total Current Liabilities</b>	124,095	101,915
<b>Non-current Liabilities:</b>		
Bonds payable	354,835	398,292
<b>Total Non-current Liabilities</b>	354,835	398,292
<b>Total Liabilities</b>	478,930	500,207
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	352,536	333,720
Unrestricted	51,627	60,286
<b>Total Net Assets</b>	404,163	394,006

The accompanying notes are an integral part of these financial statements.

**Willow Brook Metropolitan District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Water Fund**  
**For the Year Ended December 31, 2004**  
**(With Comparative Totals for 2003)**

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues:</b>		
Service charges	27,363	21,688
Meter sales	-	273
<b>Total Operating Revenues</b>	<u>27,363</u>	<u>21,961</u>
<b>Operating Expenses:</b>		
<b>System Operations:</b>		
Maintenance contract	18,168	18,056
Repair and maintenance	5,096	5,410
Utility charges	4,489	5,704
Water testing	2,061	567
Water meters	325	325
<b>Professional and Administrative:</b>		
Insurance	1,658	3,169
Miscellaneous	250	249
Accounting and audit	2,283	2,316
Legal	2,319	2,158
Management fee	4,973	4,500
Depreciation	29,476	29,477
<b>Total Operating Expenses</b>	<u>71,098</u>	<u>71,931</u>
<b>Operating (Loss)</b>	<u>(43,735)</u>	<u>(49,970)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Property taxes	45,572	48,494
Interest income	2,585	2,264
Interest expense	(22,320)	(22,630)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>25,837</u>	<u>28,128</u>
<b>(Loss) Before Contributions and Transfers</b>	<u>(17,898)</u>	<u>(21,842)</u>
Capital contributions - Tap fees	6,655	10,981
Transfer in	21,400	20,700
<b>Change in Net Assets</b>	<u>10,157</u>	<u>9,839</u>
<b>Total Net Assets - Beginning of Year</b>	<u>394,006</u>	<u>384,167</u>
<b>Total Net Assets - End of Year</b>	<u><u>404,163</u></u>	<u><u>394,006</u></u>

The accompanying notes are an integral part of these financial statements.

**Willow Brook Metropolitan District**  
**Statement of Cash Flows**  
**Water Fund**  
**For the Year Ended December 31, 2004**  
**(With Comparative Totals for 2003)**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	24,245	22,723
Cash paid for goods and services	<u>(41,281)</u>	<u>(45,690)</u>
<b>Net Cash (Used) By Operating Activities</b>	<u>(17,036)</u>	<u>(22,967)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Transfer from other fund	21,400	20,700
<b>Net Cash Provided By Non-Capital Financing Activities</b>	<u>21,400</u>	<u>20,700</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Cash received from interest	2,585	2,264
Cash received from property taxes	45,572	48,494
Tap fees received	6,655	10,981
Interest paid on bonds	(22,320)	(22,630)
Principal paid on note payable	<u>(48,292)</u>	<u>(51,068)</u>
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(15,800)</u>	<u>(11,959)</u>
<b>Net (Decrease) in Cash</b>	(11,436)	(14,226)
<b>Cash - Beginning of Year</b>	<u>58,083</u>	<u>72,309</u>
<b>Cash - End of Year</b>	<u><u>46,647</u></u>	<u><u>58,083</u></u>
<b>Reconciliation of Net (Loss) to</b>		
<b>Net Cash (Used) by Operating Activities:</b>		
Net operating (loss)	<u>(43,735)</u>	<u>(49,970)</u>
<b>Adjustments to reconcile:</b>		
Depreciation	29,476	29,477
(Increase) decrease in accounts receivable	(3,118)	762
Increase (decrease) in accounts payable	<u>341</u>	<u>(3,236)</u>
<b>Total Adjustments</b>	<u>26,699</u>	<u>27,003</u>
<b>Net Cash (Used) by Operating Activities</b>	<u><u>(17,036)</u></u>	<u><u>(22,967)</u></u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**Willow Brook Metropolitan District  
Notes to the Financial Statements  
December 31, 2004**

**I. Summary of Significant Accounting Policies**

The Willow Brook Metropolitan District (the "District"), is a quasi-municipal corporation organized and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to provide water, recreation, and street maintenance services within its boundaries. The District is located in Summit County, Colorado.

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

The District's financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements after that date to its business-type activities and enterprise funds, the District has not chosen to do so. The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The District is governed by an elected Board that is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes and the District's rules. The District is considered to be a primary government for financial statement purposes. The District consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete would also be included in the reporting entity.

The District is not financially accountable for any other organization; the District does not exercise oversight responsibility over any other entity, nor is the District a component unit of any other governmental entity.

**B. Government-wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's street maintenance, recreation and administration are classified as governmental activities. The District's utilities are classified as business-type activities.

**Willow Brook Metropolitan District  
Notes to the Financial Statements  
December 31, 2004  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide Financial Statements (continued)**

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (general government and water). The functions are also supported by general government revenues (property taxes, intergovernmental revenue, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**C. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The District reports the following governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The District reports the following proprietary or business-type fund:

The *Water Fund* accounts for the delivery of water to the citizens of the District.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

**Willow Brook Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2004**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

**3. Financial Statement Presentation**

Amounts reported as program revenues include 1) charges to customers and applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**E. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts. No allowance for uncollectible accounts was considered necessary at December 31, 2004.

**3. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental unit until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

**Willow Brook Metropolitan District  
Notes to the Financial Statements  
December 31, 2004  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Financial Statement Accounts (continued)**

**4. Capital Assets**

Capital assets, which include land, land improvements, distribution systems, buildings, equipment, vehicles, and infrastructure assets (only infrastructure acquired after January 1, 2001), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years for all assets other than equipment. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Distribution systems	40
Buildings and improvements	30
Machinery and equipment	3-10
Street improvements	5

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Willow Brook Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2004**  
**(Continued)**

**II. Reconciliation of Government-wide and Fund Financial Statements**

**A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Assets**

The governmental fund Balance Sheet includes reconciliation between *fund balance – total governmental funds* and *net assets of governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains "Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds." This \$167,351 difference relates to \$291,194 of capital assets less accumulated depreciation of \$123,843.

**B. Explanation of certain differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities**

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance includes reconciliation between *net change in fund balance of governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this (\$258) difference are capital outlay of \$31,629 less depreciation expense of \$31,887.

**III. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the proprietary funds. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2004.

1. For the 2004 budget year, prior to August 25, 2003, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries.
2. The District Accountant, or other qualified person appointed by the Board, submitted to the Board, on or before October 15, 2003, a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2003, a public hearing was held for the budget, the Board certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.

**Willow Brook Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2004**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

4. After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2003 were collected in 2004 and taxes certified in 2004 will be collected in 2005. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

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).

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$6,012 which is the required reserve at December 31, 2004.

**Willow Brook Metropolitan District  
Notes to the Financial Statements  
December 31, 2004  
(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

There are three categories of deposit credit risk as follows:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
- (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

At December 31, 2004, the District's bank deposits were entirely insured or collateralized with securities held by the entity's agent. Cash for the District's governmental activities and business-type activities had a bank balance of \$239,825, of which \$39,225 was Category 1 and \$200,600 was Category 2 as described above. The book balance of these deposits was \$231,792 at December 31, 2004. The difference between the bank and book balances represents items that had not cleared the bank at year-end.

**B. Receivables**

Receivables as of year-end for the District's funds, including applicable allowances for uncollectible accounts, are as follows:

	<b>General</b>	<b>Water</b>	<b>Total</b>
Receivables:			
Taxes	\$ 148,914	72,246	221,160
Accounts	-	9,681	9,681
Gross receivables	148,914	81,927	230,841
Less: allowance for uncollectibles	-	-	-
Net receivables	\$ 148,914	81,927	230,841

The District's funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$221,160 of deferred revenue is property taxes levied in 2004 but not available until 2005.

**Willow Brook Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2004**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</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	110,401	25,000	-	135,401
Buildings and improvements	138,291	5,742	-	144,033
Total capital assets being depreciated	<u>248,692</u>	<u>30,742</u>	<u>-</u>	<u>279,434</u>
Less accumulated depreciation for:				
Road improvements	(33,301)	(22,128)	-	(55,429)
Buildings and improvements	(58,655)	(9,759)	-	(68,414)
Total accumulated depreciation	<u>(91,956)</u>	<u>(31,887)</u>	<u>-</u>	<u>(123,843)</u>
Total capital assets, being depreciated, net	<u>156,736</u>	<u>(1,145)</u>	<u>-</u>	<u>155,591</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 168,496</u>	<u>(1,145)</u>	<u>-</u>	<u>167,351</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Water rights	\$ 40,466	-	-	40,466
Total capital assets, not being depreciated	<u>40,466</u>	<u>-</u>	<u>-</u>	<u>40,466</u>
Capital assets, being depreciated:				
Water engineering	66,508	-	-	66,508
Water construction	1,111,129	-	-	1,111,129
Equipment	1,302	-	-	1,302
Total capital assets being depreciated	<u>1,178,939</u>	<u>-</u>	<u>-</u>	<u>1,178,939</u>
Less accumulated depreciation for:				
Water engineering	(29,830)	(1,663)	-	(31,493)
Water construction	(404,278)	(27,813)	-	(432,091)
Equipment	(1,302)	-	-	(1,302)
Total accumulated depreciation	<u>(435,410)</u>	<u>(29,476)</u>	<u>-</u>	<u>(464,886)</u>
Total capital assets, being depreciated, net	<u>743,529</u>	<u>(29,476)</u>	<u>-</u>	<u>714,053</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 783,995</u>	<u>(29,476)</u>	<u>-</u>	<u>754,519</u>

**Willow Brook Metropolitan District  
Notes to the Financial Statements  
December 31, 2004  
(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**C. Capital Assets (continued)**

The District had the following capital outlay and depreciation expense for the following functions:

	<b>Capital Outlay</b>	<b>Depreciation</b>
Governmental activities:		
General government	\$ 30,743	31,887
<b>Total - Governmental activities</b>	<b>\$ 30,743</b>	<b>31,887</b>
Business-type activities:		
Water	\$ -	29,476
<b>Total - Business-type activities</b>	<b>\$ -</b>	<b>29,476</b>

**D. Interfund Receivables, Payables, and Transfers**

Transfers for 2004 were as follows:

	In	Out
General Fund	\$ -	21,400
Water Fund	21,400	-
<b>Total</b>	<b>\$ 21,400</b>	<b>21,400</b>

In the year ended December 31, 2004, the District made a transfer of \$21,400 from the General Fund to the Water Fund to subsidize the District's cost of operations in the Water Fund.

**E. Long-term Liabilities**

The District has the following long-term debt outstanding for business-type activities:

**1. 1998 General Obligation Water Bonds**

On July 1, 1998, the District issued Series 1998 General Obligation Water Bonds in the amount of \$380,000, with total principal and interest payments of \$703,847. Series 1998 proceeds are to be used to finance the costs of construction, relocation, installing, completing, and otherwise providing a complete potable and non-potable local water supply, storage, transmission and distributing system, including transmission lines, distribution mains, and storage facilities. The Series 1998 bonds maturing on or after December 1, 2009 are subject to redemption prior to maturity, at the option of the District. Interest is payable semi-annually on June 1 and December 1 at 6.2%. Principal payments are payable on December 1, beginning December 1, 2000.

**Willow Brook Metropolitan District  
Notes to the Financial Statements  
December 31, 2004  
(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Liabilities (continued)**

**2. JMC Note Payable**

The District held an election in March 1981, which approved incurring contract indebtedness in the principal amount not exceeding \$900,000, such indebtedness to bear interest at a net effective interest rate not exceeding twelve percent (12%) per annum and to extend not more than twenty (20) years from the date the indebtedness is contracted. The proceeds were used to complete a water system for the District and included payment of expenses already incurred related to the acquisition of water rights and the water system. Approval was also received for contract indebtedness in the principal amount of \$300,000 for acquiring recreation facilities.

Subsequent to the election, the District entered into a financing agreement with JMC, Co. This agreement permitted the District to borrow at any time up to \$700,000 at an interest rate of 11 3/4% per annum payable annually. The District paid all interest accrued through June 30, 1985. JMC, Co. waived all interest payments effective July 1, 1985 through March 5, 1992.

On March 5, 1992, the District issued its 1992A General Obligation Exchanged Note payable to JMC, Co. in the amount of \$435,373 as payment in full of the amount due JMC, Co. under the previous financing agreement. The note bears no interest and is considered to be a general obligation of the District. The note is accounted for in the District's proprietary fund as the original proceeds were used for acquisition of water rights and the water system. Under the terms of the note, the District covenants that it will certify a debt service mill levy of at least 9 mills annually to be collected during the years 1992 through 2005 for payment of the note. Any unpaid balance is due December 31, 2006, and the District covenants that it will levy the necessary mills to collect adequate taxes in 2005 to pay the balance due.

Long-term liability activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
General Obligation Water Bonds	\$ 360,000	-	(5,000)	355,000	5,000
JMC note payable	90,275	-	(43,292)	46,983	42,148
<b>Total Business-type Activities</b>					
<b>Long-term Liabilities</b>	<u>\$ 450,275</u>	<u>-</u>	<u>(48,292)</u>	<u>401,983</u>	<u>47,148</u>

**Willow Brook Metropolitan District  
Notes to the Financial Statements  
December 31, 2004  
(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Liabilities (continued)**

**2. JMC Note Payable (continued)**

Debt service requirements at December 31, 2004 are as follows:

Year	Note payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 42,148	-	5,000	22,010	47,148	22,010
2006	4,835	-	15,000	21,700	19,835	21,700
2007	-	-	15,000	20,770	15,000	20,770
2008	-	-	25,000	19,840	25,000	19,840
2009	-	-	30,000	18,290	30,000	18,290
2010-2014	-	-	170,000	61,690	170,000	61,690
2015-2017	-	-	95,000	11,470	95,000	11,470
<b>Total Business-type Activities</b>	<b>\$ 46,983</b>	<b>-</b>	<b>355,000</b>	<b>175,770</b>	<b>401,983</b>	<b>175,770</b>

**V. Other Information**

**A. Contingencies**

During the normal course of business, the District incurred claims and assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2004.

**B. Intergovernmental Agreement with the Town of Silverthorne**

On June 1, 1996, the District entered into an intergovernmental agreement to purchase treated water from the Town of Silverthorne (the "Town"). The District agreed to purchase 28 water taps for original residences at a cost of \$2,800 per tap totaling \$78,400. The final payment was made in 1999. Any future water taps purchased will be charged at the Town's existing published rates for Silverthorne residents. The District will build the connection to the Town's water system, including a master meter and will purchase water necessary to supplement the District's supply. The District is responsible for reading customer meters within the District and billing customers for water used. The District will be charged at the rate of 1-1/2 times the rate for the Town's residents and will be billed by the Town quarterly for each quarter of the calendar year during which water is actually delivered to the District.

**C. Management Agreement**

The District entered into an agreement with Schroder Management Co., L.L.C. for management services. The agreement provides for a fee not to exceed \$1,650 per month for basic services. The agreement is cancelable under certain circumstances.

**Willow Brook Metropolitan District  
Notes to the Financial Statements  
December 31, 2004  
(Continued)**

**V. Other Information (continued)**

**D. Risk Management**

The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the governmental immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2003 (the latest audited information available) is as follows:

<b>Assets</b>	<u><u>\$ 8,505,173</u></u>
Liabilities	\$ 4,270,246
Capital and surplus	<u>4,234,927</u>
<b>Total</b>	<u><u>\$ 8,505,173</u></u>
Revenue	\$ 5,005,714
Underwriting expenses	<u>4,251,606</u>
Underwriting gain	754,108
Other income	<u>88,476</u>
<b>Net Income</b>	<u><u>\$ 842,584</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Willow Brook Metropolitan District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for 2003)**

	<u>2004</u>		<u>Variance Positive (Negative)</u>	<u>2003</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Property taxes	197,219	151,647	(45,572)	161,371
Specific ownership taxes	11,000	12,199	1,199	13,050
Trash service	5,100	4,970	(130)	5,072
Tap agreement	4,800	4,800	-	7,590
Interest income	-	1,113	1,113	823
Stable	19,840	15,536	(4,304)	20,329
Miscellaneous	500	10,127	9,627	1,611
<b>Total Revenues</b>	<u>238,459</u>	<u>200,392</u>	<u>(38,067)</u>	<u>209,846</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Utilities	2,200	3,680	(1,480)	2,721
Snow plowing	30,000	19,389	10,611	28,526
Repairs and maintenance	15,000	12,633	2,367	17,180
Trash removal	5,100	4,043	1,057	4,875
Mosquito control	1,100	925	175	875
Stable and meadow maintenance	19,950	25,161	(5,211)	14,719
Common area improvements	8,000	6,301	1,699	11,997
Contingency reserve	14,300	-	14,300	-
<b>Professional Services:</b>				
Accounting and audit	2,650	3,133	(483)	3,115
Legal	2,000	4,201	(2,201)	3,332
Management fee	14,850	14,903	(53)	13,500
<b>Administrative:</b>				
Insurance	1,600	1,658	(58)	3,688
Office supplies	1,500	1,389	111	1,553
Treasurer's fees	10,493	9,891	602	10,519
Tap agreement	4,800	4,800	-	7,590
Miscellaneous	-	4,404	(4,404)	1,369
<b>Capital Outlay:</b>				
Gate	500	805	(305)	11,440
Fence replacement	11,000	5,824	5,176	-
Road improvements	25,000	25,000	-	35,880
<b>Total Expenditures</b>	<u>170,043</u>	<u>148,140</u>	<u>21,903</u>	<u>172,879</u>

The accompanying notes are an integral part of these financial statements.

**Willow Brook Metropolitan District**  
**Schedule of Revenues and Expenditures**  
**Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis**  
**Water Fund**  
**For the Year Ended December 31, 2004**  
**(With Comparative Actual Amounts for 2003)**

	<u>2004</u>			<u>2003</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Revenues:</b>				
Tap fees	6,655	6,655	-	10,981
Service charges	24,000	27,363	3,363	21,688
Meter sales	325	-	(325)	273
Property taxes	-	45,572	45,572	48,494
Interest income	2,500	2,585	85	2,264
Transfer from General Fund	21,400	21,400	-	20,700
<b>Total Revenues</b>	<u>54,880</u>	<u>103,575</u>	<u>48,695</u>	<u>104,400</u>
<b>Expenditures:</b>				
<b>System Operations:</b>				
Maintenance contract	18,500	18,168	332	18,056
Repair and maintenance	6,000	5,096	904	5,410
Utility charges	6,000	4,489	1,511	5,704
Water testing	3,200	2,061	1,139	567
Water meters	325	325	-	325
Water improvements	15,000	-	15,000	-
<b>Professional and Administrative</b>				
Insurance	1,600	1,658	(58)	3,169
Miscellaneous	5,000	250	4,750	249
Accounting and audit	2,650	2,283	367	2,316
Legal	-	2,319	(2,319)	2,158
Management fee	4,950	4,973	(23)	4,500
Principal payment	43,292	48,292	(5,000)	51,068
Interest expense	27,500	22,320	5,180	22,630
<b>Total Expenditures</b>	<u>134,017</u>	<u>112,234</u>	<u>21,783</u>	<u>116,152</u>
<b>(Deficiency) of Revenues Over Expenditures Budget (Non-GAAP) Basis</b>	<u>(79,137)</u>	<u>(8,659)</u>	<u>70,478</u>	<u>(11,752)</u>
<b>Reconciliation of Budget Basis to GAAP Basis</b>				
Depreciation		(29,476)		(29,477)
Note principal payment		48,292		51,068
<b>Net Income - GAAP Basis</b>		<u>10,157</u>		<u>9,839</u>

The accompanying notes are an integral part of these financial statements.