

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Fund	3
Statement of Revenues, Expenditures and Changes In Fund Balance – Governmental Fund	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6
Statement of Net Assets – Proprietary Fund	7
Statement of Revenues, Expenses, and Changes In Fund Net Assets – Proprietary Fund	8
Statement of Cash Flows – Proprietary Fund	9
Notes to the Financial Statements	10
SUPPLEMENTAL INFORMATION	21
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis) Water Fund	22
Reconciliation of Budgetary Basis to Statement of Revenues, Expenses and Changes in Fund Net Assets	23
Schedule of Debt Service Requirements to Maturity	24

Independent Auditor's Report

Board of Directors
Willow Brook Metropolitan District
Summit County, Colorado

We have audited the accompanying basic financial statements of the governmental activities, business-type activities and each major fund of Willow Brook Metropolitan District (District) as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Willow Brook Metropolitan District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Willow Brook Metropolitan District, as of December 31, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willow Brook Metropolitan District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and legal compliance and is not a required part of the 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.

SCHILLING & COMPANY, INC.

September 29, 2009

BASIC FINANCIAL STATEMENTS

WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 290,744	\$ 236,015	\$ 526,759
Accounts Receivable:			-
Customer	2,070	10,699	
County treasurer	8,860	4,916	
Property taxes receivable	182,950	101,886	284,836
Prepaid expenses	3,835	-	3,835
Capital assets, not being depreciated	11,760	40,466	52,226
Capital assets, net of accumulated depreciation	110,180	618,834	729,014
Total assets	<u>610,399</u>	<u>1,012,816</u>	<u>1,596,670</u>
LIABILITIES			
Accounts payable	21,383	2,446	23,829
Deposits	10,000	-	10,000
Accrued interest payable	-	1,524	1,524
Deferred property taxes	182,950	101,886	284,836
Bonds payable			
Due within one year	-	30,000	30,000
Due in more than one year	-	265,000	265,000
Total liabilities	<u>214,333</u>	<u>400,856</u>	<u>615,189</u>
NET ASSETS			
Invested in capital assets, net of related debt	121,940	364,300	486,240
Restricted for emergencies	6,600	3,200	9,800
Restricted for parks and recreation	398	-	398
Unrestricted	267,128	244,460	511,588
Total net assets	<u>\$ 396,066</u>	<u>\$ 611,960</u>	<u>\$ 1,008,026</u>

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 210,127	\$ 53,031	\$ 4,000	\$ -	\$ (153,096)	\$ -	\$ (153,096)
	<u>210,127</u>	<u>53,031</u>	<u>4,000</u>	<u>-</u>	<u>(153,096)</u>	<u>-</u>	<u>(153,096)</u>
Business-type activities:							
Water	99,152	30,430	-	-	-	(68,722)	(68,722)
	<u>99,152</u>	<u>30,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,722)</u>	<u>(68,722)</u>
Total	<u><u>\$ 309,279</u></u>	<u><u>\$ 83,461</u></u>	<u><u>\$ 4,000</u></u>	<u><u>\$ -</u></u>	<u><u>(153,096)</u></u>	<u><u>(68,722)</u></u>	<u><u>(221,818)</u></u>

General revenues:

Taxes:

Property taxes	179,335	99,883	279,218
Specific ownership taxes	9,806	5,456	15,262
Conservation Trust Funds	310	-	310
Net investment income	7,337	5,752	13,089
Miscellaneous	1,910	-	1,910
Total general revenues	<u>198,698</u>	<u>111,091</u>	<u>309,789</u>
Change in net assets	45,602	42,369	87,971
Net assets - Beginning	350,464	569,591	920,055
Net assets - Ending	<u><u>\$ 396,066</u></u>	<u><u>\$ 611,960</u></u>	<u><u>\$ 1,008,026</u></u>

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

**WILLOW BROOK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2008**

	General
ASSETS	
Cash and cash equivalents	\$ 290,744
Accounts Receivable:	
Customer	2,070
County treasurer	8,860
Property taxes receivable	182,950
Prepaid expenses	3,835
TOTAL ASSETS	\$ 488,459
LIABILITIES	
Accounts payable	\$ 21,383
Deposits	10,000
Deferred tax revenues	182,950
TOTAL LIABILITIES	214,333
FUND BALANCE	
Reserved:	
Emergencies	6,600
Parks and recreation	398
Prepaid expenditures	3,835
Unreserved:	
Designated for subsequent year's expenditures	31,441
Undesignated	231,852
TOTAL FUND BALANCE	274,126
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	121,940
Net assets of governmental activities	\$ 396,066

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2008**

	General
REVENUES	
Property tax	\$ 179,335
Specific ownership tax	9,806
Conservation Trust Funds	310
Trash service	8,073
Stable	44,958
Net investment income	7,337
Grant income	4,000
Miscellaneous	1,910
Total revenues	255,729
EXPENDITURES	
General government:	
Current:	
Utilities	2,512
Snow plowing	54,778
Repairs and maintenance	30,871
Trash removal	5,540
Mosquito control	1,075
Stable and meadow maintenance	40,904
Common area improvements	10,720
County Treasurer's fees	8,967
Accounting audit	4,715
Legal	11,035
Management fee	21,619
Insurance	583
Office supplies	2,637
Miscellaneous	1,393
Capital outlay:	
Road improvements	31,235
Total expenditures	228,584
EXCESS OF REVENUE OVER EXPENDITURES	27,145
OTHER FINANCING SOURCES	
Insurance proceeds	17,720
Total other financing sources	17,720
NET CHANGE IN FUND BALANCES	44,865
FUND BALANCES - BEGINNING OF YEAR	229,261
FUND BALANCES - END OF YEAR	\$ 274,126

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

**WILLOW BROOK METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2008**

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

Net change in fund balances - Total governmental funds		<u>\$ 44,865</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		31,235
Depreciation		<u>(30,498)</u>
		<u>737</u>
Change in net assets - Governmental activities		<u><u>\$ 45,602</u></u>

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

WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2008

	Original and Final		Actual	Variance with
	Budgeted Amounts	Budgeted Amounts		Final Budget - Positive (Negative)
REVENUES				
Property tax	\$ 178,730	\$ 178,730	\$ 179,335	\$ 605
Specific ownership tax	24,965	24,965	9,806	(15,159)
Conservation Trust Funds	-	-	310	310
Trash service	5,977	5,977	8,073	2,096
Stable	42,145	42,145	44,958	2,813
Net investment income	-	-	7,337	7,337
Grant income	4,000	4,000	4,000	-
Miscellaneous	750	750	1,910	1,160
Total Revenues	<u>256,567</u>	<u>256,567</u>	<u>255,729</u>	<u>(838)</u>
EXPENDITURES				
General government:				
Utilities	2,536	2,536	2,512	24
Snow plowing	31,500	31,500	54,778	(23,278)
Repairs and maintenance	30,653	30,653	30,871	(218)
Trash removal	4,410	4,410	5,540	(1,130)
Mosquito control	1,129	1,129	1,075	54
Stable and meadow maintenance	35,803	35,803	40,904	(5,101)
Common area improvements	5,000	5,000	10,720	(5,720)
County Treasurer's fees	13,900	13,900	8,967	4,933
Accounting audit	4,000	4,000	4,715	(715)
Legal	2,000	2,000	11,035	(9,035)
Management fee	21,600	21,600	21,619	(19)
Insurance	2,100	2,100	583	1,517
Office supplies	1,575	1,575	2,637	(1,062)
Miscellaneous	-	-	1,393	(1,393)
Construction damage deposit refund	5,000	5,000	-	5,000
Contingency	35,000	40,000	-	40,000
Capital outlay:				
Road improvements	29,000	29,000	31,235	(2,235)
Total Expenditures	<u>225,206</u>	<u>230,206</u>	<u>228,584</u>	<u>1,622</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>31,361</u>	<u>26,361</u>	<u>27,145</u>	<u>784</u>
OTHER FINANCING SOURCES				
Insurance proceeds	-	-	17,720	17,720
Total other financing sources	<u>-</u>	<u>-</u>	<u>17,720</u>	<u>17,720</u>
NET CHANGE IN FUND BALANCE	31,361	26,361	44,865	18,504
FUND BALANCE - BEGINNING OF YEAR	220,071	220,071	229,261	9,190
FUND BALANCE - END OF YEAR	<u>\$ 251,432</u>	<u>\$ 246,432</u>	<u>\$ 274,126</u>	<u>\$ 27,694</u>

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2008**

	Water
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 236,015
Accounts Receivable:	
Customer	10,699
County treasurer	4,916
Property taxes receivable	101,886
Total current assets	353,516
CAPITAL ASSETS	
Capital assets, not being depreciated	40,466
Capital assets, being depreciated	1,207,599
	1,248,065
Less accumulated depreciation and amortization	(588,765)
Total capital assets	659,300
TOTAL ASSETS	\$ 1,012,816
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 2,446
Accrued interest payable	1,524
Deferred property taxes	101,886
Bonds payable - current	30,000
Total current liabilities	135,856
NONCURRENT LIABILITIES	
Bonds payable - noncurrent	265,000
Total noncurrent liabilities	265,000
Total liabilities	400,856
NET ASSETS	
Invested in capital assets, net of related debt	364,300
Restricted for emergencies	3,200
Unrestricted	244,460
Total net assets	611,960
TOTAL LIABILITIES AND NET ASSETS	\$ 1,012,816

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUND
Year Ended December 31, 2008**

	Water
OPERATING REVENUE	
Service charges	\$ 30,430
Total operating revenue	30,430
 OPERATING EXPENSES	
Maintenance contract	19,778
Repairs and maintenance	2,514
Utilities	5,861
Testing fees	675
Tap agreement	125
Insurance	583
Accounting and audit	4,715
Management fee	7,206
Depreciation	32,740
Total operating expenses	74,197
 OPERATING LOSS	 (43,767)
 NONOPERATING REVENUE AND (EXPENSES)	
Property taxes	99,883
Specific ownership taxes	5,456
Net investment income	5,752
County Treasurer's fees	(4,994)
Bond interest	(19,711)
Paying agent fees	(250)
Total nonoperating revenue (expense)	86,136
 CHANGE IN NET ASSETS	 42,369
 NET ASSETS - BEGINNING OF YEAR	 569,591
NET ASSETS - END OF YEAR	\$ 611,960

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

**WILLOW BROOK METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 26,633
Payments to vendors	(40,927)
Net cash required by operating activities	<u>(14,294)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Bond interest paid	(20,090)
Bond principal paid	(25,000)
Net cash required by capital financing activities	<u>(45,090)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property and specific ownership taxes received	100,862
County treasurer's fees paid	(4,994)
Net cash provided by noncapital financing activities	<u>95,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	5,752
Net cash provided by investing activities	<u>5,752</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,236
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR OF YEAR	<u>193,779</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 236,015</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Net (loss) from operations	\$ (43,767)
Adjustments to reconcile net (loss) from operations to net cash provided by operating activities:	
Depreciation	32,740
Effects of changes in operating assets and liabilities:	
Accounts receivable	(3,797)
Accounts payable	530
Net cash required by operating activities	<u>\$ (14,294)</u>

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

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 – DEFINITION OF REPORTING ENTITY

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

The statement of net assets reports all financial and capital resources of the District, the difference between the assets and liabilities of the District being reported as net assets.

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

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The District has elected to follow Governmental Accounting Standards Board pronouncements in the proprietary fund financial statements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

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

The District reports the following major governmental fund:

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

The District reports the following major proprietary fund:

The Water Fund accounts for the water operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

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

For the year ended December 31, 2008, supplementary appropriations approved by the District modified the appropriation from \$225,206 to \$230,206 in the General Fund.

Pooled Cash and Investments

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

Investments are carried at fair value.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Customer Accounts Receivable

Due to the broad powers of collection, no allowance for uncollectible customer accounts receivable has been reported.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 1 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Capital Assets

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

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

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

Tap Fees and Contributed Lines

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

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally segregated or are not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

The District considers all unreserved fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

Reserved Fund Balance

An amount of the general fund fund balance equal to the reported prepaid expenditures is reserved to indicate that the prepaid expenditures do not constitute spendable resources even though the prepaid expenditures are a component of net assets.

\$398 of the general fund fund balance equal to the unspent Conservation Trust Fund monies is reserved for further parks and recreation expenditures.

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). \$6,600 of the general fund fund balance, and \$6,600 and \$3,200 of the governmental activities and business-type activities, respectively, net assets have been reserved/restricted in compliance with this requirement.

Designated Fund Balance

The amount classified as "designated for subsequent year's expenditures" at December 31, 2008, represents the amount appropriated for use in the budget for the year ending December 31, 2009.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2008 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 526,759</u>
---------------------------	-------------------

Cash and investments as of December 31, 2008 consist of the following:

Deposits with financial institutions	\$ 6,494
Investments	<u>520,265</u>
	<u>\$ 526,759</u>

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2008, the District's cash deposits had a bank balance of \$22,290 and carrying balance of \$6,494.

Investments

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

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

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Interest Rate Risk

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

At December 31, 2008, the District had the following investments:

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ <u>520,265</u>

COLOTRUST

At December 31, 2008, the District has invested \$520,265 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST is rated AAAM by Standard and Poor's.

Concentration of Credit Risk

The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer, however, the District invests primarily in local government investment pools, which are not subject to concentration of credit risk.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2008 follows:

Governmental activities:	Balance at December 31, 2007	Additions	Disposals/ Retirements	Balance at December 31, 2008
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	185,401	31,235	-	216,636
Buildings and improvements	166,654	-	-	166,654
Total capital assets being depreciated	<u>352,055</u>	<u>31,235</u>	<u>-</u>	<u>383,290</u>
Less accumulated depreciation for:				
Road improvements	(141,813)	(21,712)	-	(163,525)
Buildings and improvements	(100,799)	(8,786)	-	(109,585)
Total accumulated depreciation	<u>(242,612)</u>	<u>(30,498)</u>	<u>-</u>	<u>(273,110)</u>
Total capital assets being depreciated, net	<u>109,443</u>	<u>737</u>	<u>-</u>	<u>110,180</u>
Total capital assets, net	<u>\$ 121,203</u>	<u>\$ 737</u>	<u>\$ -</u>	<u>\$ 121,940</u>

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

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Business-type activities:	Balance at December 31, 2007	Additions	Disposals/ Retirements	Balance at December 31, 2008
Capital assets, not being depreciated:				
Water rights	\$ 40,466	\$ -	\$ -	\$ 40,466
Total capital assets, not being depreciated	40,466	-	-	40,466
Capital assets, being depreciated:				
Water system	1,207,599	-	-	1,207,599
Total capital assets being depreciated	1,207,599	-	-	1,207,599
Less accumulated depreciation for:				
Water system	(556,025)	(32,740)	-	(588,765)
Total accumulated depreciation	(556,025)	(32,740)	-	(588,765)
Total capital assets being depreciated, net	651,574	(32,740)	-	618,834
Total capital assets, net	<u>\$ 692,040</u>	<u>\$ (32,740)</u>	<u>\$ -</u>	<u>\$ 659,300</u>

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

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations reported in the business-type activities/proprietary fund for the year ended December 31, 2008.

	Balance at December 31, 2007	New Issues	Retirements	Balance at December 31, 2008	Due Within One Year
1998 G.O. Bonds	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 295,000</u>	<u>\$ 30,000</u>

The detail of the District's long-term debt is as follows:

General Obligation Bonds

\$380,000 General Obligation Bonds, Series 1998, dated July 1, 1998, with interest of 6.20%, consisting of serial bonds due annually through 2017. Interest is payable on the bonds semi-annually on June 1 and December 1. Principal payments are payable on December 1. All bonds callable at the option of the District on December 1, 2008 or any date thereafter, upon payment of par and accrued interest. The bonds constitute general obligations of the District payable solely from and to the extent of the pledged revenue. The pledged revenue consists of the revenue derived by the District from the imposition of the District's mill levy for the purpose of paying the District's indebtedness. The District has covenanted to impose a mill levy sufficient to pay the principal and interest on the bonds as they come due, through the year 2017. The bonds were issued to finance the construction and acquisition of certain public water improvements.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2009	\$ 30,000	\$ 18,290	\$ 48,290
2010	30,000	16,430	46,430
2011	35,000	14,570	49,570
2012	35,000	12,400	47,400
2013	35,000	10,230	45,230
2014-2017	130,000	19,530	149,530
	<u>\$ 295,000</u>	<u>\$ 91,450</u>	<u>\$ 386,450</u>

For the year ended December 31, 2008, \$19,711 of interest expense has been included in the water function/program of the business-type activities in the statement of activities.

NOTE 6 – INTERGOVERNMENTAL AGREEMENT

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 Town 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.

NOTE 7 - NET ASSETS

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2008, the District had invested in capital assets, net of related debt of \$486,240, comprised of \$121,940 in the governmental activities and \$364,300 in the business-type activities.

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 7 - NET ASSETS (CONTINUED)

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets as of December 31, 2008 as follows:

	Governmental Activities	Business-type Activities	Total
Restricted net assets:			
Emergency reserves (see Note 9)	\$ 6,600	\$ 3,200	\$ 9,800
Parks and recreation (Conservation Trust Funds)	398	-	398
	<u>\$ 6,998</u>	<u>\$ 3,200</u>	<u>\$ 10,198</u>

The District's unrestricted net assets at December 31, 2008 totaled \$511,588, comprised of \$267,128 in the governmental activities and \$244,460 in the business-type activities.

NOTE 8 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2008. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, boiler and machinery, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

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

**WILLOW BROOK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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

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

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

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

This information is an integral part of the accompanying financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTAL INFORMATION

**AURORA CENTRETECH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER FUND**

Year Ended December 31, 2008

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 99,547	\$ 99,883	\$ 336
Specific ownership taxes	-	5,456	5,456
Service charges	33,545	30,430	(3,115)
Net investment income	20,000	5,752	(14,248)
Tap fees	6,988	-	(6,988)
Total Revenues	160,080	141,521	(18,559)
EXPENDITURES			
Maintenance contract	21,499	19,778	1,721
Repairs and maintenance	6,300	2,514	3,786
Utilities	6,300	5,861	439
Testing fees	3,360	675	2,685
Tap agreement	5,720	125	5,595
Insurance	2,100	583	1,517
Accounting and audit	4,000	4,715	(715)
Management fee	7,200	7,206	(6)
County Treasurer's fees	3,467	4,994	(1,527)
Bond interest	19,840	19,711	129
Bond principal	25,000	25,000	-
Paying agent fees	250	250	-
Water meters	2,500	-	2,500
Water system improvements	5,000	-	5,000
Contingency	1,533	-	1,533
Total Expenditures	114,069	91,412	22,657
NET CHANGE IN FUND BALANCE	46,011	50,109	4,098
FUND BALANCE - BEGINNING OF YEAR	137,850	197,551	59,701
FUND BALANCE - END OF YEAR	\$ 183,861	\$ 247,660	\$ 63,799

Funds available at December 31, 2008 is computed as follows:

Current assets	\$ 353,516
Current liabilities	(135,856)
Add back current portion of bonds payable	30,000
	\$ 247,660

**WILLOW BROOK METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Year Ended December 31, 2008**

Revenue (budgetary basis)	\$	141,521
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Assets		141,521
Expenditures (budgetary basis)		91,412
Depreciation		32,740
Bond principal		(25,000)
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Assets		99,152
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets	\$	42,369

WILLOW BROOK METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2008

\$380,000 General Obligation Bonds, Series 1998
6.20% Interest Rate

Year Ending December 31,	Interest Due June 1 and December 1		
	Principal	Interest	Total
2009	\$ 30,000	\$ 18,290	\$ 48,290
2010	30,000	16,430	46,430
2011	35,000	14,570	49,570
2012	35,000	12,400	47,400
2013	35,000	10,230	45,230
2014	35,000	8,060	43,060
2015	35,000	5,890	40,890
2016	30,000	3,720	33,720
2017	30,000	1,860	31,860
	\$ 295,000	\$ 91,450	\$ 386,450