

DANCING WILLOWS METROPOLITAN DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
December 31, 2015

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**Haynie &
Company**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dancing Willows Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Dancing Willows Metropolitan District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Dancing Willows Metropolitan District, as of December 31, 2015, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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



Littleton, Colorado
September 8, 2016

BASIC FINANCIAL STATEMENTS

DANCING WILLOWS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	\$ 87,654
Due from County Treasurer	3,484
Property taxes receivable	573,743
Prepaid expenses	7,886
Capital assets, not being depreciated	213,181
Capital assets, net of depreciation	3,980,990
Total assets	4,866,938
LIABILITIES	
Accounts payable	28,688
Accrued bond interest	12,000
Promissory note interest payable	4,998
Bonds payable - due within one year	120,000
Long-term liabilities	
Bonds due in greater than one year	3,630,000
Promissory notes payable	21,201
Total liabilities	3,816,887
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	573,743
Total deferred inflows of resources	573,743
NET POSITION	
Net investment in capital assets	405,972
Restricted for:	
Emergencies	7,600
Debt service	1,858
Unrestricted	60,878
Total net position	\$ 476,308

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

**DANCING WILLOWS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contribution</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 484,013	\$ -	\$ -	\$ -	\$ (484,013)
Interest and expenses on long-term debt	151,817	-	-	-	(151,817)
	<u>\$ 635,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(635,830)</u>
General revenues:					
Property taxes					484,772
Specific ownership taxes					40,138
Net investment income					1,202
Clubhouse rentals					4,850
Miscellaneous income					16,076
Total general revenues					<u>547,038</u>
Change in net position					(88,792)
Net position - Beginning					565,100
Net position - Ending					<u>\$ 476,308</u>

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

**DANCING WILLOWS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments - unrestricted	\$ 87,654	\$ -	\$ -	\$ 87,654
Due from County Treasurer	1,626	1,858	-	3,484
Property taxes receivable	267,747	305,996	-	573,743
Prepaid expenses	7,886	-	-	7,886
Total assets	\$ 364,913	\$ 307,854	\$ -	\$ 672,767
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	28,688	-	-	28,688
Total liabilities	28,688	-	-	28,688
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	267,747	305,996	-	573,743
Total deferred inflows of resources	267,747	305,996	-	573,743
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	7,886	-	-	7,886
Restricted:				
Emergency reserves	7,600	-	-	7,600
Debt service	-	1,858	-	1,858
Unassigned	52,992	-	-	52,992
Total fund balances	68,478	1,858	-	70,336
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 364,913	\$ 307,854	\$ -	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds

Net capital assets	4,194,171
Bonds payable	(3,750,000)
Accrued interest on bonds payable	(12,000)
Promissory notes payable	(21,201)
Accrued interest on promissory notes payable	(4,998)
Net position of governmental activities	\$ 476,308

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

DANCING WILLOWS METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUE				
Property taxes	\$ 226,227	\$ 258,545	\$ -	\$ 484,772
Specific ownership tax	18,732	21,406	-	40,138
Net investment income	1,148	54	-	1,202
Clubhouse rentals	4,850	-	-	4,850
Miscellaneous income	1,076	-	-	1,076
Total revenue	<u>252,033</u>	<u>280,005</u>	<u>-</u>	<u>532,038</u>
EXPENDITURES				
Accounting and audit	34,583	-	-	34,583
District management - special services	16,223	-	-	16,223
Directors' fees	4,600	-	-	4,600
Insurance and dues	10,735	-	-	10,735
Legal	4,842	-	-	4,842
Miscellaneous	1,357	-	-	1,357
Payroll taxes	326	-	-	326
Treasurer's fees	3,398	3,883	-	7,281
Utilities	35,345	-	-	35,345
Ground and landscaping	29,956	-	-	29,956
Pool maintenance	13,221	-	-	13,221
Clubhouse maintenance and repairs	5,711	-	-	5,711
Snow removal	29,812	-	-	29,812
Parking maintenance	5,192	-	-	5,192
Street maintenance	29,228	-	-	29,228
Monument sign	-	-	31,246	31,246
Bond principal	-	110,000	-	110,000
Bond interest	-	149,630	-	149,630
Promissory note payments	-	75,000	-	75,000
Promissory note interest	-	8,000	-	8,000
Paying agent fees	-	300	-	300
Total expenditures	<u>224,529</u>	<u>346,813</u>	<u>31,246</u>	<u>602,588</u>
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	27,504	(66,808)	(31,246)	(70,550)
OTHER FINANCING SOURCES (USES)				
Contribution to capital reserve fund	(10,000)	-	10,000	-
Transfers to other funds	(67,991)	-	-	(67,991)
Transfers from other funds	-	46,745	21,246	67,991
Total other financing sources (uses)	<u>(77,991)</u>	<u>46,745</u>	<u>31,246</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(50,487)	(20,063)	-	(70,550)
FUND BALANCE - BEGINNING OF YEAR	118,965	21,921	-	140,886
FUND BALANCE - END OF YEAR	<u>\$ 68,478</u>	<u>\$ 1,858</u>	<u>\$ -</u>	<u>\$ 70,336</u>

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

**DANCING WILLOWS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2015**

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

Net changes in fund balances - Total governmental funds	\$ (70,550)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Bond principal payments	\$ 110,000	
Promissory note - noncash reduction	15,000	
Promissory note payments	75,000	200,000

Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlay is not reported as an expenditure. This amount represents net capital outlay for the current period:

Capital outlay	31,246
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Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Depreciation	(255,601)	
Net change in accrued interest on bonds	469	
Net change in accrued interest on promissory notes payable	5,644	(249,488)

Change in net position of governmental activities	\$ (88,792)
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These financial statements should be read only in connection with the accompanying notes to financial statements.

DANCING WILLOWS METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUE				
Property taxes	\$ 226,281	\$ 226,281	\$ 226,227	\$ (54)
Specific ownership tax	14,933	14,933	18,732	3,799
Net investment income	354	354	1,148	794
Clubhouse rentals	3,800	3,800	4,850	1,050
Miscellaneous income	-	-	1,076	1,076
Total revenue	<u>245,368</u>	<u>245,368</u>	<u>252,033</u>	<u>6,665</u>
EXPENDITURES				
Accounting and audit	16,000	35,000	34,583	417
District management - special services	25,000	16,200	16,223	(23)
Directors' fees	2,400	4,600	4,600	-
Insurance and dues	14,000	10,800	10,735	65
Legal	5,000	5,000	4,842	158
Miscellaneous	-	1,300	1,357	(57)
Payroll taxes	192	350	326	24
Treasurer's fees	3,394	3,400	3,398	2
Utilities	55,000	35,000	35,345	(345)
Ground and landscaping	23,000	30,000	29,956	44
Pool maintenance	10,500	13,000	13,221	(221)
Clubhouse maintenance and repairs	11,700	5,700	5,711	(11)
Snow removal	12,000	30,000	29,812	188
Parking maintenance	-	5,000	5,192	(192)
Street maintenance	12,500	29,000	29,228	(228)
Sidewalk and gutter maintenance	17,500	-	-	-
Capital reserve study	3,500	-	-	-
Emergency reserve Tabor 3%	7,361	-	-	-
Promissory note interest	3,448	3,448	-	3,448
Total expenditures	<u>222,495</u>	<u>227,798</u>	<u>224,529</u>	<u>3,269</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>22,873</u>	<u>17,570</u>	<u>27,504</u>	<u>9,934</u>
OTHER FINANCING USES				
Contribution to capital reserve fund	(48,000)	(10,000)	(10,000)	-
Transfer to other funds	(27,426)	(67,991)	(67,991)	-
Total other financing uses	<u>(75,426)</u>	<u>(77,991)</u>	<u>(77,991)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(52,553)	(60,421)	(50,487)	9,934
FUND BALANCE - BEGINNING OF YEAR	56,394	118,965	118,965	-
FUND BALANCE - END OF YEAR	<u>\$ 3,841</u>	<u>\$ 58,544</u>	<u>\$ 68,478</u>	<u>\$ 9,934</u>

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

DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - DEFINITION OF REPORTING ENTITY

Dancing Willows Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on January 17, 2006 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within Jefferson County, Colorado. The District was established to finance and construct public infrastructure improvements 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 District organization nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes.

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

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

DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 property and equipment are shown as increases in assets and redemption of bonds, notes and developer advances are recorded as a reduction in liabilities.

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. 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 funds:

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 other funds.

The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest and related expenses on the long-term general obligation debt of the governmental funds.

The Capital Project Fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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

DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015, supplementary appropriations approved by the District's Board of Directors modified the appropriation from \$297,921 to \$305,789 in the General Fund, and from \$264,109 to \$347,109 in the Debt Service 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 account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash. Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (roads, bridges, pools, sidewalks and similar items), are reported in the applicable governmental 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 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Fund Balances – Governmental Funds

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

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

Restricted fund balance - the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

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

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2015 are classified in the accompanying statement of net position as follows:

Cash and investments	<u>\$ 87,654</u>
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Cash and investments as of December 31, 2015 consist of the following:

Deposits with financial institutions	\$ 18,766
Investments	<u>68,888</u>
Total cash and investments	<u>\$ 87,654</u>

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, 2015, the District's cash deposits had a bank balance of \$20,662 and a carrying balance of \$18,766.

Investments

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

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

- * Obligations of the United States and certain 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

**DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- Certain reverse repurchase agreements
- Certain securities and lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- * Local government investment pools

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

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.

As of December 31, 2015, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ <u>68,888</u>

COLOTRUST

During 2015, the District invested in the Colorado Local Government Liquid Asset Trust (Colostrust) an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colostrust. Colostrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colostrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for ColoTrust portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for ColoTrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colostrust. As of December 31, 2015, the District had \$68,888 invested in COLOTRUST PLUS+ in the name of the District. Colostrust is rated AAAM by Standard and Poor's.

DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

	Balance at December 31, 2014	Increases	Decreases	Balance at December 31, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Parks and recreation	\$ 213,181	\$ -	\$ -	213,181
Total capital assets, not being depreciated	<u>213,181</u>	<u>-</u>	<u>-</u>	<u>213,181</u>
Capital assets, being depreciated:				
Streets and street improvements	4,074,187	31,246	-	4,105,433
Safety protection	147,281	-	-	147,281
Pool and equipment	874,912	-	-	874,912
Total capital assets, being depreciated	<u>5,096,380</u>	<u>31,246</u>	<u>-</u>	<u>5,127,626</u>
Less accumulated depreciation for:				
Streets and street improvements	(712,983)	(204,491)	-	(917,474)
Safety protection	(25,774)	(7,364)	-	(33,138)
Pool and equipment	(152,278)	(43,746)	-	(196,024)
Total accumulated depreciation	<u>(891,035)</u>	<u>(255,601)</u>	<u>-</u>	<u>(1,146,636)</u>
Total capital assets, being depreciated, net	<u>4,205,345</u>	<u>(224,355)</u>	<u>-</u>	<u>3,980,990</u>
Governmental activities capital assets, net	<u>\$ 4,418,526</u>	<u>\$ (224,355)</u>	<u>\$ -</u>	<u>4,194,171</u>

Depreciation expense of \$255,601 is included in general government expenses in the Statement of Activities.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2015:

	Balance at December 31, 2014	Additions	Retirements/ Adjustments	Balance at December 31, 2015	Due Within One Year
Series 2008B-1	\$ 3,360,000	\$ -	\$ 110,000	\$ 3,250,000	\$ 120,000
Series 2008B-2	500,000	-	-	500,000	-
Promissory notes - principal	111,201	-	90,000	21,201	-
Promissory notes - interest	10,642	2,356	8,000	4,998	-
	<u>\$ 3,981,843</u>	<u>\$ 2,356</u>	<u>\$ 208,000</u>	<u>\$ 3,776,199</u>	<u>\$ 120,000</u>

**DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

A description of the long-term obligations as of December 31, 2015 is as follows:

Series 2008B Bonds

On March 11, 2008, the District issued \$3,108,609 of General Obligation (Limited Tax Convertible to Unlimited Tax) Convertible Capital Appreciation Bonds Series 2008B (Series 2008B Bonds). On December 12, 2011, the District approved a resolution which amended and restated its original resolution authorizing the issuance of the Series 2008B General Obligation Bonds (Amended and Restated Resolution). The purpose of the Amended and Restated Resolution was to allow the District to restructure its outstanding bonds on terms that the District found favorable to allow it to meet its debt and operating obligations.

On January 13, 2012, the District completed the restructuring of the Series 2008B Bonds. After the restructuring, the bonds became known as Series 2008B-1 and Series 2008B-2 Bonds. The Series 2008B-1 Bonds are the portion of the Series 2008B Bonds constituting an accreted value as of June 1, 2012 of \$3,490,000. The Series 2008B-2 Bonds are the portion of the Series 2008B Bonds constituting an accreted value as of June 1, 2012 of \$500,000. After June 1, 2012, both the Series 2008B-1 Bonds and the Series 2008B-2 Bonds converted to current interest bonds. Effective June 1, 2012, the Series 2008B-1 Bonds carry a stepped coupon rate of 3.30% payable semi-annually. The rate increases to 7.00% on June 1, 2019 through maturity of December 1, 2039. The Series 2008B-2 Bonds carry a stepped coupon rate of 7.75% effective June 1, 2012 and 6.00% effective June 1, 2018 through maturity of December 1, 2041. All of the costs of the restructuring were paid by the bondholder.

The following is a summary of the annual long-term debt principal and interest requirements to maturity for the Series 2008B-1 and Series 2008B-2 Bonds as of December 31, 2015:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 120,000	\$ 146,000	\$ 266,000
2017	120,000	142,040	262,040
2018	135,000	133,705	268,705
2019	90,000	178,063	268,063
2020	45,000	224,950	269,950
2021-2025	345,000	1,066,650	1,411,650
2026-2030	580,000	914,750	1,494,750
2031-2035	900,000	669,400	1,569,400
2036-2040	1,360,000	295,150	1,655,150
2041	55,000	3,300	58,300
	<u>\$ 3,750,000</u>	<u>\$ 3,774,008</u>	<u>\$ 7,524,008</u>

**DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

As of December 31, 2015, the District has authorized but unissued indebtedness of \$487. The District has not budgeted to issue any new debt during 2016.

Promissory Note – McGeady Sisneros, P.C.

The District entered into a promissory note with McGeady Sisneros, P.C. for \$3,539 effective as of January 1, 2009 (McGeady Note). The McGeady Note bears interest at 4% per annum. The McGeady Note plus accrued interest of \$1,060 was paid in full in June 2016.

Promissory Note – Special District Management Services, Inc.

The District entered into a promissory note with Special District Management Services, Inc. for \$5,398 effective as of January 1, 2009 (SDMS Note). The SDMS Note bears interest at 4% per annum. The SDMS Note plus accrued interest of \$1,618 was paid in full in June 2016.

Promissory Notes – DWH Investments, LLC

On November 29, 2010 and December 10, 2010, the District entered into promissory notes with DWH Investments, LLC for \$12,263 and \$65,000, respectively (hereinafter collectively the DWH Notes). The \$65,000 note was reduced to \$40,000 due to an assignment of certain facilities fees according to a 2010 agreement, and was subsequently paid in full in 2015. The \$12,263 note, originally due on or before December 31, 2015, was extended to December 31, 2016. The note bears interest at 4% per annum.

Promissory Note – Remington Homes, Inc.

The District entered into an Operations Funding Agreement (OFA) with Remington Homes, Inc. (Developer) on December 17, 2007, whereby the Developer agreed to provide advances to fund any annual operations and maintenance shortfall. As part of the OFA, the Developer also waived any claim for reimbursement from the District. Therefore, any advances against the OFA were recognized as developer contributions. The Developer provided a total of \$120,400 per the OFA, all of which was repaid in prior years.

On December 12, 2011, the District entered into an Agreement with the Developer to outline the maintenance and repair responsibilities of each party for the various areas of the District (the Agreement). The OFA was terminated concurrent with the approval of the Agreement. As per the Agreement, the Developer advanced the District \$42,500 for use by the District to make repairs of certain warranty items which would no longer be the responsibility of the Developer to correct. The Agreement also identified corrective work which was the responsibility of the Developer to complete. The Developer also advanced the District \$7,500 to cover the legal costs related to the preparation of the Agreement. A promissory note for the \$50,000 (Remington Note) was issued concurrent with the Agreement with a due date of December 15, 2031 and an interest at a rate of 4% beginning December 15, 2016.

**DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

During the current year, the Developer agreed to reduce the Remington Note by \$10,000 if the District replaced the entryway monument and reduce it by an additional \$5,000 if the note was paid in full by December 31, 2015. In 2015 the note was reduced by the \$15,000 and the District paid the remaining \$35,000 in full.

NOTE 6 – FUND EQUITY

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$7,600 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

The restricted fund balance in the Debt Service Fund in the amount of \$1,858 is to be used exclusively for debt service requirements associated with the District’s Series 2008B-1 and 2008B-2 General Obligation Bonds (see Note 5).

NOTE 7 - NET POSITION

The District’s net position consists of two components - restricted and unrestricted.

The restricted portion of the net position include amounts that are restricted either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District’s restricted net position at December 31, 2015 is as follows:

	Governmental Activities
Restricted net position:	
TABOR emergency reserve (Note 9)	\$ 7,600
Debt service (Note 5)	1,858
	\$ 9,458

NOTE 8 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

DANCING WILLOWS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 8 - RISK MANAGEMENT (CONTINUED)

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2015. 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 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 which apply to the State of Colorado and all local governments, except Enterprise.

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

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

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

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

SUPPLEMENTAL INFORMATION

DANCING WILLOWS METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUE				
Property taxes	\$ 258,607	\$ 258,607	\$ 258,545	\$ (62)
Specific ownership tax	17,067	21,000	21,406	406
Net investment income	78	78	54	(24)
Total revenue	<u>275,752</u>	<u>279,685</u>	<u>280,005</u>	<u>320</u>
EXPENDITURES				
Bond principal	110,000	110,000	110,000	-
Bond interest	149,630	149,630	149,630	-
Promissory note payments	-	75,000	75,000	-
Promissory note interest	-	8,000	8,000	-
County Treasurer's fees	3,879	3,879	3,883	(4)
Paying agent fees	600	600	300	300
Total expenditures	<u>264,109</u>	<u>347,109</u>	<u>346,813</u>	<u>296</u>
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	<u>11,643</u>	<u>(67,424)</u>	<u>(66,808)</u>	<u>616</u>
OTHER FINANCING SOURCES				
Transfer from other funds	-	46,745	46,745	-
Total other financing sources	<u>-</u>	<u>46,745</u>	<u>46,745</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	11,643	(20,679)	(20,063)	616
FUND BALANCE - BEGINNING OF YEAR	21,517	21,517	21,921	404
FUND BALANCE - END OF YEAR	<u>\$ 33,160</u>	<u>\$ 838</u>	<u>\$ 1,858</u>	<u>\$ 1,020</u>

**DANCING WILLOWS METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2015**

	<u>Budget Amounts</u>		<u>Variance with Final Budget</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
REVENUE	\$ -	\$ -	\$ -
EXPENDITURES			
Monument sign	45,000	31,246	13,754
Total expenditures	45,000	31,246	13,754
EXCESS OF EXPENDITURES OVER REVENUES	(45,000)	(31,246)	(13,754)
OTHER FINANCING SOURCES			
Contribution to capital reserve fund	48,000	10,000	(38,000)
Transfer from other funds	27,426	21,246	(6,180)
Total other financing sources	75,426	31,246	(44,180)
NET CHANGE IN FUND BALANCE	30,426	-	(30,426)
FUND BALANCE - BEGINNING OF YEAR	19,574	-	(19,574)
FUND BALANCE - END OF YEAR	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>

OTHER INFORMATION

**DANCING WILLOWS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2015**

\$3,990,000

General Obligation Convertible Capital Appreciation Bonds

Series 2008B-1 and 2008B-2

Restructure Date January 13, 2012

Interest Rate Varies 3.30 - 7.75%

Interest payable June 1, December 1; Principal due December 1 - Series 2008B-1

Interest payable and principal due December 1 - Series 2008B-2

	Principal	Interest	Total
2016	\$ 120,000	\$ 146,000	\$ 266,000
2017	120,000	142,040	262,040
2018	135,000	133,705	268,705
2019	90,000	178,063	268,063
2020	45,000	224,950	269,950
2021	50,000	221,800	271,800
2022	65,000	218,300	283,300
2023	65,000	213,750	278,750
2024	80,000	209,200	289,200
2025	85,000	203,600	288,600
2026	95,000	197,650	292,650
2027	105,000	191,000	296,000
2028	115,000	183,650	298,650
2029	125,000	175,600	300,600
2030	140,000	166,850	306,850
2031	150,000	157,050	307,050
2032	170,000	146,550	316,550
2033	175,000	134,650	309,650
2034	195,000	122,400	317,400
2035	210,000	108,750	318,750
2036	235,000	94,050	329,050
2037	250,000	77,600	327,600
2038	270,000	60,100	330,100
2039	290,000	41,200	331,200
2040	315,000	22,200	337,200
2041	55,000	3,300	58,300
	\$ 3,750,000	\$ 3,774,008	\$ 7,524,008

**DANCING WILLOWS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2015**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2007	\$ 517,500	61.000	\$ 31,568	\$ 31,567	100.00%
2008	\$2,377,100	61.000	\$ 145,003	\$ 145,003	100.00%
2009	\$3,221,370	61.000	\$ 196,504	\$ 196,502	100.00%
2010	\$3,875,030	61.000	\$ 236,377	\$ 232,132	98.20%
2011	\$4,481,050	61.000	\$ 273,344	\$ 277,754	101.61%
2012	\$4,647,228	66.000	\$ 306,717	\$ 306,308	99.87%
2013	\$5,110,641	75.000	\$ 383,298	\$ 383,297	100.00%
2014	\$5,984,045	75.000	\$ 448,803	\$ 448,804	100.00%
2015	\$6,465,174	75.000	\$ 484,888	\$ 484,772	99.98%
Estimated for the year ending December 31, 2016	\$7,649,907	75.000	\$ 573,743		

NOTE:

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