DANCING WILLOWS METROPOLITAN DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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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, 2017, 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, 2017, 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.

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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 and other 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 supplemental and other 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.

Haynie & Co

Littleton, Colorado
July 16, 2018

BASIC FINANCIAL STATEMENTS

DANCING WILLOWS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	$ 220,618
Cash and investments - restricted	104,725
Receivable from county treasurer	4,230
Property taxes receivable	616,360
Due from escrow	23,815
Prepaid expenses	8,407
Prepaid bond insurance	33,641
Capital assets, not being depreciated	213,181
Capital assets, net of depreciation	3,550,236
Total assets	4,775,213
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	53,840
LIABILITIES	
Accounts payable	22,145
Payroll taxes payable	352
Accrued bond interest	3,734
Bonds payable - due within one year	50,000
Noncurrent liabilities:	
Bonds due in greater than one year	3,670,956
Total liabilities	3,747,187
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	616,360
Total deferred inflows of resources	616,360
NET POSITION	
Net investment in capital assets	38,727
Restricted for:	
Emergencies	9,200
Debt service	109,461
Unrestricted	308,118
Total net position	$ 465,506

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, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contribution	Program Revenues: Capital Grants and Contribution	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 405,858	$ -	$ -	$ -	$ (405,858)
Interest and expenses on long-term debt	252,280	-	-	-	(252,280)
	$ 658,138	$ -	$ -	$ -	(658,138)
General revenues:					
Property taxes					573,685
Specific ownership taxes					56,047
Interest					5,264
Clubhouse rentals					4,225
Conservation Trust Funds					1,521
Miscellaneous					693
Total general revenues					641,435
Change in net position					(16,703)
Net position - beginning					482,209
Net position - ending					$ 465,506

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, 2017

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments - unrestricted	$ 220,618	$ -	$ -	$ 220,618
Cash and investments - restricted	-	104,725	-	104,725
Receivable from county treasurer	1,976	2,254	-	4,230
Property taxes receivable	287,635	328,725	-	616,360
Due from escrow	-	23,815	-	23,815
Prepaid expenditures	8,407	-	-	8,407
Total assets	$ 518,636	$ 459,519	$ -	$ 978,155
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 4,546	$ 17,599	$ -	$ 22,145
Payroll taxes payable	352	-	-	352
Total liabilities	4,898	17,599	-	22,497
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	287,635	328,725	-	616,360
Total deferred inflows of resources	287,635	328,725	-	616,360
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	8,407	-	-	8,407
Restricted:				
Emergency reserves	9,200	-	-	9,200
Debt service	-	113,195	-	113,195
Unassigned	208,496	-	-	208,496
Total fund balances	226,103	113,195	-	339,298
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 518,636	$ 459,519	$ -	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,763,417
The funds report bond insurance costs as expenditures at the time the costs are incurred, but the statement of net position reports these costs as deferred assets, additionally the bond refunding loss is not reported in the funds, however is reported as deferred outflows of resources on the statement of net position, both of which are amortized over the life of the bonds	
Prepaid bond insurance	33,641
Bond refunding loss, net	53,840
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Bonds payable	(3,635,000)
Bond premium, net	(85,956)
Accrued interest on bonds payable	(3,734)
Net position of governmental activities	$ 465,506

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

DANCING WILLOWS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	$ 267,720	$ 305,965	$ -	$ 573,685
Specific ownership taxes	26,185	29,862	-	56,047
Interest	5,047	217	-	5,264
Clubhouse rentals	4,225	-	-	4,225
Conservation Trust Funds	1,521	-	-	1,521
Miscellaneous	693	-	-	693
Total revenues	305,391	336,044	-	641,435
EXPENDITURES				
General				
District management and accounting	35,609	-	-	35,609
Audit	8,000	-	-	8,000
Directors' fees	2,300	-	-	2,300
Insurance and dues	8,178	-	-	8,178
Legal	710	-	-	710
Miscellaneous	1,288	-	-	1,288
Payroll taxes	176	-	-	176
SDA conference and dues	8,270	-	-	8,270
County treasurer fees	4,063	4,548	-	8,611
Utilities	32,399	-	-	32,399
Ground and landscaping	13,356	-	-	13,356
Pool maintenance	11,084	-	-	11,084
Clubhouse maintenance and repairs	3,743	-	-	3,743
Fence and monument repairs	11,961	-	-	11,961
Street maintenance	378	-	-	378
Snow removal	1,516	-	-	1,516
Bond principal	-	120,000	-	120,000
Bond interest	-	142,040	-	142,040
Paying agent fees	-	300	-	300
Costs of bond issuance	-	151,522	-	151,522
Capital Outlay				
Streets/Sidewalks/Gutters	-	-	49,297	49,297
Clubhouse	-	-	5,940	5,940
Pool equipment	-	-	7,044	7,044
Total expenditures	143,031	418,410	62,281	623,722
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	162,360	(82,366)	(62,281)	17,713
OTHER FINANCING SOURCES (USES)				
Transfers to / from other funds	(62,281)	-	62,281	-
Proceeds of refunding bonds	-	3,635,000	-	3,635,000
Bond premium	-	85,956	-	85,956
Transfer to refunding escrow agent	-	(3,563,840)	-	(3,563,840)
Total other financing sources (uses)	(62,281)	157,116	62,281	157,116
NET CHANGE IN FUND BALANCE	100,079	74,750	-	174,829
FUND BALANCE - BEGINNING OF YEAR	126,024	38,445	-	164,469
FUND BALANCE - END OF YEAR	$ 226,103	$ 113,195	$ -	$ 339,298

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 REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balance - Total governmental funds		$ 174,829
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:		
Proceeds of refunding bonds	(3,635,000)	
Bond premium	(85,956)	
Bond principal payments	120,000	
Transfer to refunding escrow agent	3,563,840	
Prepaid bond insurance	33,641	(3,475)
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		62,281
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	(258,279)	
Net change in accrued interest on bonds	7,941	(250,338)
Change in net position of governmental activities		$ (16,703)

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

DANCING WILLOWS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2017

	Budget Amounts Original-Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 267,719	$ 267,720	$ 1
Specific ownership taxes	17,800	26,185	8,385
Interest	1,524	5,047	3,523
Clubhouse rentals	4,500	4,225	(275)
Conservation Trust Funds	-	1,521	1,521
Miscellaneous	-	693	693
Total revenues	291,543	305,391	13,848
EXPENDITURES			
District management and accounting	35,000	35,609	(609)
Audit	8,000	8,000	-
Directors' fees	3,000	2,300	700
Insurance and dues	8,280	8,178	102
Legal	5,000	710	4,290
Miscellaneous	1,000	1,288	(288)
Payroll taxes	230	176	54
SDA conference and dues	7,200	8,270	(1,070)
Treasurer's fees	4,100	4,063	37
Utilities	35,000	32,399	2,601
Contingency	10,000	-	10,000
Ground and landscaping	13,000	13,356	(356)
Pool maintenance and supplies	20,000	11,084	8,916
Clubhouse maintenance and repairs	15,000	3,743	11,257
Fence and monument repairs	15,500	11,961	3,539
Street repairs and maintenance	66,000	378	65,622
Snow removal	25,000	1,516	23,484
Emergency reserve Tabor 3%	8,746	-	8,746
Total expenditures	280,056	143,031	137,025
EXCESS OF REVENUES OVER EXPENDITURES	11,487	162,360	150,873
OTHER FINANCING USES			
Contribution to capital reserve fund	(9,000)	(62,281)	(53,281)
Total other financing uses	(9,000)	(62,281)	(53,281)
NET CHANGE IN FUND BALANCE	2,487	100,079	97,592
FUND BALANCE - BEGINNING OF YEAR	56,286	126,024	69,738
FUND BALANCE - END OF YEAR	$ 58,773	$ 226,103	$ 167,330

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

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources 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.

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 and promissory notes 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.

The Capital Projects 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

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.

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.

Bond Premium, Prepaid Bond Insurance Costs and Bond Refunding Costs

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt issuances are reported as debt service expenditures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, prepaid bond insurance costs and bond refunding costs from the General Obligation Refunding Bonds, Series 2017 Bonds are amortized over the term of the bonds using the straight-line method. The bond premium is amortized over the term of the bonds using the interest method.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017 are classified in the accompanying statement of net position as follows:

Statement of net position:	
Cash and investments - unrestricted	$ 220,618
Cash and investments - restricted	104,725
Total cash and investments	$ 325,343

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	$ 22,107
Investments	303,236
Total cash and investments	$ 325,343

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, 2017, the District's cash deposits had a bank balance of $26,979 and a carrying balance of $22,107.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

Credit Risk

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
* 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, 2017, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	$ 303,236

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

During 2017, the District invested 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 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 Colotrust.

As of December 31, 2017, the District had $303,236 invested in COLOTRUST PLUS+ in the name of the District. Colotrust is rated AAAm by S&P Global Ratings.

Cash and investments of $104,725 are restricted in the Debt Service Fund for servicing the District's bond debt (Note 5).

Investment Valuation

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

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colotrust at yearend for which the investment valuations were determined as follows.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

FASB guidance. It is the goal of Colotrust to maintain a NAV of $1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from $1.00 per share.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

Governmental Activities:	Balance at December 31, 2016	Increases	Decreases	Balance at December 31, 2017
Capital assets, not being depreciated:				
Parks and recreation	$ 213,181	$ -	$ -	$ 213,181
Total capital assets, not being depreciated	213,181	-	-	213,181
Capital assets, being depreciated:				
Streets and street improvements	4,105,433	49,297	-	4,154,730
Clubhouse	-	5,940	-	5,940
Safety protection	147,281	-	-	147,281
Pool and equipment	897,092	7,044	-	904,136
Total capital assets, being depreciated	5,149,806	62,281	-	5,212,087
Less accumulated depreciation for:				
Streets and street improvements	(1,122,745)	(205,785)	-	(1,328,530)
Clubhouse	-	(99)	-	(99)
Safety protection	(40,502)	(7,364)	-	(47,866)
Pool and equipment	(240,325)	(45,031)	-	(285,356)
Total accumulated depreciation	(1,403,572)	(258,279)	-	(1,661,851)
Total capital assets, being depreciated, net	3,746,234	(195,998)	-	3,550,236
Governmental activities capital assets, net	$ 3,959,415	$ (195,998)	$ -	$ 3,763,417

Depreciation expense of $258,279 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, 2017:

	Balance at December 31, 2016	Additions	Retirements/ Adjustments	Balance at December 31, 2017	Due Within One Year
Series 2008B-1 Bonds	$ 3,130,000	$ -	$ 3,130,000	$ -	$ -
Series 2008B-2 Bonds	500,000	-	500,000	-	-
Series 2017 Bonds	-	3,635,000	-	3,635,000	50,000
Series 2017 Bonds - Bond Preimium	-	85,956	-	85,956	-
	$ 3,630,000	$ 3,720,956	$ 3,630,000	$ 3,720,956	$ 50,000

A description of the long-term obligations as of December 31, 2017 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.

On December 21, 2017, the District issued General Obligation Refunding Bonds, Series 2017 (as discussed below). Proceeds in the amount of $3,720,956 were placed into escrow in order to

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

redeem the Series 2008B-1 Bonds and Series 2008B-2 Bonds. The escrow agent has not been authorized to substitute assets that are not essentially risk-free in the trust portfolio. As a result of the issuance of the General Obligation Refunding Bonds, Series 2017, the Series 2008B-1 Bonds and Series 2008B-2 Bonds are considered to be defeased and the liabilities have been removed from the statement of net position.

General Obligation Refunding Bonds, Series 2017

On December 21, 2017, the District issued General Obligation Refunding Bonds, Series 2017 (the Series 2017 Bonds) in the principal amount of $3,635,000. The Series 2017 Bonds were issued for the purpose of providing funds to (i) advance refund the District's General Obligation (Limited Tax Convertible to Unlimited Tax) Convertible Capital Appreciation Bonds, Series 2008B-1, (ii) advance refund the District's General Obligation (Limited Tax Convertible to Unlimited Tax) Convertible Capital Appreciation Bonds, Series 2008B-2, and (iii) to pay costs in connection with the issuance of the Series 2017 Bonds.

The District received a premium of $85,956 and incurred bond insurance costs of $33,641, both of which will be amortized over the life of the 2017 Series Bonds beginning in 2018. Additionally, the District incurred bond issuance costs of $117,881 which were expensed at the end of 2017.

The Series 2017 Bonds are secured by and payable solely from pledged revenue, which includes property taxes derived from the required mill levy net of the cost of collection, specific ownership taxes, and any other legally available moneys of the District credited to the Debt Service Fund.

The 2017 Series Bonds bear interest of 3.00% from December 1, 2018 to December 1, 2022, 4.00% from December 2, 2022 to December 1, 2037, and 3.625% from December 2, 2037 to December 1, 2046. Interest is payable semi-annually on June 1 and December 1. The payment of principal on the 2017 Series Bonds begins on December 1, 2018. Those bonds maturing on and after December 1, 2028 are subject to redemption prior to maturity at the option of the District. The 2017 Series Bonds maturing on December 1, 2032, December 1, 2037 and December 1, 2046 are subject to mandatory sinking fund redemption prior to maturity, in part, by lot and in such manner as determined by the paying agent. The 2017 Series Bonds mature on December 1, 2046.

The refunding resulted in a present value benefit of $923,414 due to the average coupon interest rate of the Series 2017 Bonds of 3.74% being lower than the coupon rate of the refunded bonds. Effective June 1, 2012, the Series 2008B-1 Bonds carried a stepped coupon rate of 3.30% payable semi-annually. The rate would have increased to 7.00% on June 1, 2019 through maturity of December 1, 2039. The Series 2008B-2 Bonds carried a stepped coupon rate of

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

7.75% effective June 1, 2012 and 6.00% effective June 1, 2018 through maturity of December 1, 2041.

As a result of the 2017 bond refunding, the gross debt service requirements as of the date of issuance have decreased by $766,128.

The following is a summary of the annual long-term debt principal and interest requirements to maturity for the Series 2017 Bonds as of December 31, 2017:

Year	Principal	Interest	Total
2018	$ 50,000	$ 128,633	$ 178,633
2019	40,000	134,700	174,700
2020	40,000	133,500	173,500
2021	45,000	132,300	177,300
2022	55,000	130,950	185,950
2023-2027	345,000	621,300	966,300
2028-2032	520,000	538,900	1,058,900
2033-2037	700,000	421,300	1,121,300
2038-2042	930,000	269,339	1,199,339
2043-2046	910,000	83,918	993,918
	$ 3,635,000	$ 2,594,840	$ 6,229,840

Debt Authorization

As of December 31, 2017, the District has authorized but unissued indebtedness of $487. The District has not budgeted to issue any new debt during 2018.

NOTE 6 – FUND EQUITY

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of $8,407 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of $9,200 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).

NOTE 7 - NET POSITION

The restricted fund balance in the Debt Service Fund in the amount of $113,195 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).

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, 2017 is as follows:

	Governmental Activities
Restricted net position:	
TABOR emergency reserve (Note 9)	$ 9,200
Debt service (Note 5)	109,461
	$ 118,661

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.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). 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.

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.

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.

SUPPLEMENTAL INFORMATION

DANCING WILLOWS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Amended		
REVENUES				
Property taxes	$ 305,965	$ 305,965	$ 305,965	$ -
Specific ownership taxes	20,300	20,300	29,862	9,562
Interest	135	135	217	82
Total revenues	326,400	326,400	336,044	9,644
EXPENDITURES				
Bond principal	120,000	120,000	120,000	-
Bond interest	142,040	142,040	142,040	-
Bond issuance costs	-	151,522	151,522	-
County treasurer fees	4,590	4,590	4,548	42
Paying agent fees	600	600	300	300
Total expenditures	267,230	418,752	418,410	342
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	59,170	(92,352)	(82,366)	9,986
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,635,000	3,635,000	-
Bond premium		85,956	85,956	-
Transfer to escrow agent	-	(3,563,840)	(3,563,840)	-
Total other financing sources (uses)	-	157,116	157,116	-
NET CHANGE IN FUND BALANCE	59,170	64,764	74,750	9,986
FUND BALANCE - BEGINNING OF YEAR	69,514	38,445	38,445	-
FUND BALANCE - END OF YEAR	$ 128,684	$ 103,209	$ 113,195	$ 9,986

DANCING WILLOWS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2017

	Budget Amounts Original and final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES	$ -	$ -	$ -
EXPENDITURES			
Streets/sidewalks/gutters	45,000	49,297	(4,297)
Engineering design - concrete swale/drainage	5,000	-	5,000
Clubhouse - reserve contingency	3,000	5,940	(2,940)
Landscape arborist - reserve contingency	10,000	-	10,000
Pool - reserve contingency	2,000	7,044	(5,044)
Total expenditures	65,000	62,281	2,719
EXCESS OF EXPENDITURES OVER REVENUES	(65,000)	(62,281)	2,719
OTHER FINANCING SOURCES			
Contribution to capital reserve fund	9,000	62,281	53,281
Total other financing sources	9,000	62,281	53,281
NET CHANGE IN FUND BALANCE	(56,000)	-	56,000
FUND BALANCE - BEGINNING OF YEAR	20,000	-	(20,000)
FUND BALANCE - END OF YEAR	$ (36,000)	$ -	$ 36,000

OTHER INFORMATION

DANCING WILLOWS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

$3,635,000
General Obligation Refunding Bonds
Series 2017
Dated December 21, 2017
Interest Rates 3.00%, 4.00%, 3.625%
Interest payable June 1 and December 1; Principal due December 1

	Principal	Interest	Total
2018	$ 50,000	$ 128,633	$ 178,633
2019	40,000	134,700	174,700
2020	40,000	133,500	173,500
2021	45,000	132,300	177,300
2022	55,000	130,950	185,950
2023	55,000	129,300	184,300
2024	65,000	127,100	192,100
2025	70,000	124,500	194,500
2026	75,000	121,700	196,700
2027	80,000	118,700	198,700
2028	90,000	115,500	205,500
2029	95,000	111,900	206,900
2030	105,000	108,100	213,100
2031	110,000	103,900	213,900
2032	120,000	99,500	219,500
2033	120,000	94,700	214,700
2034	130,000	89,900	219,900
2035	140,000	84,700	224,700
2036	155,000	79,100	234,100
2037	155,000	72,900	227,900
2038	170,000	66,700	236,700
2039	175,000	60,538	235,538
2040	185,000	54,194	239,194
2041	195,000	47,488	242,488
2042	205,000	40,419	245,419
2043	215,000	32,987	247,987
2044	225,000	25,194	250,194
2045	230,000	17,037	247,037
2046	240,000	8,700	248,700
	$ 3,635,000	$ 2,594,840	$ 6,229,840

DANCING WILLOWS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2017

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes Levied	Total Property Taxes Collected	Percentage Collected to Levied
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%
2016	$7,649,907	75.000	$ 573,743	$ 577,729	100.69%
2017	$7,649,120	75.000	$ 573,684	$ 573,685	100.00%
Estimated for the year ending December 31, 2018	$8,218,129	75.000	$ 616,360		

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.