

Wildwing Metropolitan District No. 1
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Wildwing Metropolitan District No. 1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Wildwing Metropolitan District No. 1 (the "District"), as of, and for the year ending, December 31, 2016, which collectively compose 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 the 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 controls relevant to the preparation and the 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 an opinion on these financial statements based upon conducting our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"), as established by the *American Institute of Certified Public Accountants*.

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risk 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 District's preparation, as well as the 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 on the Financial Statements

In our opinion, the basic 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 Wildwing Metropolitan District No.1, as of December 31, 2016, the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Wildwing Metropolitan District No. 1 taken as a whole. The supplementary information on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of the management of the District and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

Management's Discussion and Analysis

The Board of Directors has not presented the Management's Discussion and Analysis information, which governmental 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 part of the basic financial statements, is required by the Government Accounting Standards Board, which considers it to be an essential part of the 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.

Marc, James and Associates, PC

Highlands Ranch, Colorado
June 30, 2017

BASIC FINANCIAL STATEMENTS

Wildwing Metropolitan District No. 1

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2016

	Governmental Funds				Adjustments	Statement of Net Position
	General	Debt Service	Capital Projects	Total		
ASSETS						
Cash and cash equivalents	\$ 120	\$ -	\$ -	\$ 120	\$ -	\$ 120
Restricted cash and cash equivalents	-	16,193	-	16,193	-	16,193
Due from other districts	5	-	-	5	-	5
Developer advance receivable	67,464	970	-	68,434	(68,434)	-
Due from County	137	1,103	-	1,240	-	1,240
Prepaid expenses	14,259	-	-	14,259	-	14,259
Due from other funds	-	51,310	970	52,280	(52,280)	-
Total assets	\$ 81,985	\$ 69,576	\$ 970	\$ 152,531	(120,714)	31,817
LIABILITIES						
Accounts payable	\$ 750	\$ -	\$ -	\$ 750	-	750
Accrued interest payable	-	-	-	-	466,802	466,802
Due to other funds	51,310	-	970	52,280	(52,280)	-
Total liabilities	52,060	-	970	53,030	414,522	467,552
LONG-TERM DEBT						
Due in less than one year	-	-	-	-	3,401,698	3,401,698
Due beyond one year	-	-	-	-	6,472,657	6,472,657
FUND BALANCE						
Nonspendable	14,259	-	-	14,259	(14,259)	-
Restricted						
Emergencies	3,800	-	-	3,800	(3,800)	-
Assigned	-	69,576	-	69,576	(69,576)	-
Unassigned	11,866	-	-	11,866	(11,866)	-
Total fund balance	29,925	69,576	-	99,501	(99,501)	-
Total liabilities, deferred inflows and fund balance	\$ 81,985	\$ 69,576	\$ 970	\$ 152,531		
NET POSITION						
Investment in capital assets, net of related debt					-	-
Restricted						
Emergencies					3,800	3,800
Unrestricted					(10,313,890)	(10,313,890)
Total net position					\$ (10,310,090)	\$ (10,310,090)

The accompanying notes are an integral part of the these statements

Wildwing Metropolitan District No. 1
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2016

	Governmental Funds				Adjustments	Statement of Activities
	General	Debt Service	Capital Projects	Total		
EXPENDITURES						
OPERATIONS						
Accounting and audit	\$ 10,609	\$ -	\$ -	\$ 10,609	\$ -	\$ 10,609
Bank service fees	-	5	-	5	-	5
District management	5,400	-	-	5,400	-	5,400
Insurance	8,802	-	-	8,802	-	8,802
Irrigation system maintenance	28,616	-	-	28,616	-	28,616
Dues	735	-	-	735	-	735
Landscape maintenance	35,044	-	-	35,044	-	35,044
Legal	15,471	-	-	15,471	-	15,471
Paying agent	-	2,500	-	2,500	-	2,500
Office	275	-	-	275	-	275
Miscellaneous	-	-	412	412	-	412
Treasurer's fees	414	3,315	-	3,729	-	3,729
Utilities	8,749	-	-	8,749	-	8,749
Utility locates	18	-	-	18	-	18
CAPITAL OUTLAY						
Infrastructure/conveyance	-	-	14,936	14,936	6,085,283	6,100,219
DEBT SERVICE						
Accretion of bond discount	-	-	-	-	249,241	249,241
Interest expense	-	115,144	-	115,144	258,732	373,876
Principal payment	-	304,961	-	304,961	(304,961)	-
Total expenditures	<u>114,133</u>	<u>425,925</u>	<u>15,348</u>	<u>555,406</u>	<u>6,288,295</u>	<u>6,843,701</u>
GENERAL REVENUES						
Property and other taxes	22,356	179,058	-	201,414	-	201,414
Intergovernmental	856	-	-	856	-	856
Capital recovery fees	-	312,290	-	312,290	-	312,290
Other	28	235	-	263	-	263
Total general revenues	<u>23,240</u>	<u>491,583</u>	<u>-</u>	<u>514,823</u>	<u>-</u>	<u>514,823</u>
REVENUE OVER (UNDER) EXPENDITURES	(90,893)	65,658	(15,348)	(40,583)	(6,288,295)	(6,328,878)
OTHER SOURCES						
Developer advances	91,789	-	15,348	107,137	(107,137)	-
Total other sources	<u>91,789</u>	<u>-</u>	<u>15,348</u>	<u>107,137</u>	<u>(107,137)</u>	<u>-</u>
CHANGES IN FUND BALANCE	896	65,658	-	66,554	(66,554)	-
CHANGE IN NET POSITION	-	-	-	-	(6,328,878)	(6,328,878)
FUND BALANCE /NET POSITION - restated						
Beginning of the year	29,029	3,918	-	32,947	(4,014,159)	(3,981,212)
End of the year	<u>\$ 29,925</u>	<u>\$ 69,576</u>	<u>\$ -</u>	<u>\$ 99,501</u>	<u>\$ (10,409,591)</u>	<u>\$ (10,310,090)</u>

The accompanying notes are an integral part of the these statements

Wildwing Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2016

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUE				
Property taxes	\$ 20,694	\$ 20,694	\$ 20,694	\$ -
Specific ownership taxes	1,450	1,662	1,662	-
Transfer from District No. 2	855	853	856	3
Interest and other	28	28	28	-
Total revenues	23,027	23,237	23,240	3
EXPENDITURES				
OPERATING				
Accounting and audit	14,000	10,609	10,609	-
Contingency	7,140	3,996	-	(3,996)
District management	4,200	5,400	5,400	-
Election	1,500	-	-	-
Insurance	7,000	8,802	8,802	-
Dues	650	735	735	-
Landscape maintenance	30,000	36,838	35,044	(1,794)
Legal	30,000	15,471	15,471	-
Office	2,000	275	275	-
Treasurer's fees	310	414	414	-
WATER SYSTEM				
Irrigation system maintenance	10,000	28,616	28,616	-
Utilities	500	8,826	8,749	(77)
Utility locates	2,000	18	18	-
Total expenditures	109,300	120,000	114,133	(5,867)
EXCESS OF EXPENDITRES OVER REVENUE	(86,273)	(96,763)	(90,893)	5,870
EMERGENCY RESERVE	(3,328)	-	-	-
OTHER SOURCES				
Developer advances	95,000	92,767	91,789	(978)
CHANGES IN FUND BALANCE	\$ 5,399	\$ (3,996)	\$ 896	\$ 4,892
FUND BALANCE				
Beginning balance			29,029	
Ending balance			<u>\$ 29,925</u>	

The accompanying notes are an integral part of the these statements

Wildwing Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Wildwing Metropolitan District No.1 (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District, along with related Districts Nos. 2 through 5, (collectively referred to as the "Districts") were organized in August 2007, under State of Colorado statutory authority, as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article I, Colorado Revised Statutes) for the overall purpose of the development of a residential community known as Wildwing.

The District's service area is located in the Town of Timnath, Colorado. Under the Amended Service Plan, the primary purpose of District No. 1 is to hold a small amount of land and to provide and administer the financing associated with the development of Wildwing. Districts Nos. 2 through 5 are considered to be the residential districts. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

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

2. Measurement Focus and Financial Accounting Framework

The accompanying financial statements are presented in accordance with GASB Statement No 34, *Special Purpose Governments*.

Government-Wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the governmental activities of the District.

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

Revenues and expenditures are recorded on the accrual basis of accounting.

Governmental Fund Financial Statements

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Funds

For 2016, the District has three Governmental Funds:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,
- *Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and other debt-related costs,
- *Capital Projects Fund* - The Capital Project Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital facilities and other assets.

3. *Deposits*

District management considers cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Investments, as applicable, of the District are reported at fair value.

District management may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and investment flexibility. As applicable, investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

4. *Capital Assets*

The District's capital assets are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District's capital assets consist of various infrastructures. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items costing less than \$5,000 in certain circumstances. As of December 31, 2016, it is the intent of the District to convey all of the currently completed capital assets to the Town of Timnath and other related local governments.

The cost of normal maintenance and repairs that do not add value to, or materially extend the life of, the related capital asset, are charged to expense as incurred.

5. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, various receivables, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2016, does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

6. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates which affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

7. *Property Taxes*

Property taxes are levied by the District's Board of Directors. When applicable, the levy is based upon 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, or, if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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, since they normally are not available nor are they budgeted as a resource until the subsequent year. Property taxes are recorded as revenue in the subsequent year when they are available or collected.

Under the Amended Service Plan, the maximum Debt Mill Levy and maximum Operations and Maintenance Mill Levy of a District shall be 50 mills, respectively. Should the total amount of aggregate debt of a District be equal to or less than 50% of a District assessed valuation, however, the maximum Debt Mill Levy, the maximum Operations and Maintenance, and the Maximum Aggregate Mill Levy may each be increased to 60 mills.

No District shall have the authority to impose or collect any mill levy for the repayment of any or all debt on any single residential property which exceeds 40 years after the year of initial imposition of a debt service levy, unless the majority of the Board of Directors are residents of the District and the Board of Directors shall have voted in favor of refunding of a part or all of the Debt. At the end of the 40 year term, any and all debt that has not been paid shall be forgiven.

8. *Restricted Net Position*

The restriction of net position represents amounts which may not be appropriated or are legally segregated for a specific purpose.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B – BUDGET INFORMATION

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with State Budget Law, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditure 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 total appropriation can only be modified upon completion of a budget amendment approved following a public hearing on the same. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year-end.

For 2016, the District amended the General Fund and increased the total expenditures to \$120,000.

State of Colorado statutes requires a balanced budget. For 2016, the District's amended General Fund expenditures exceeded budgeted revenues and other sources and Debt Service Fund budgeted revenues and other sources exceeded budgeted expenditures.

NOTE C – CASH

Deposits and Custodial Credit Risk

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2016, none of the District's deposits were exposed to custodial credit risk.

Restricted Cash and Cash Equivalents

The District's restricted cash and cash equivalents pertain to the amount of cash and cash equivalents held within the Debt Service Fund.

Wildwing Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D - LONG-TERM DEBT

Note Payable

In July 2015, the District entered into a Loan Agreement with a financial institution in an amount not to exceed \$5,700,000, with an initial draw of \$3,273,315.

The Note Payable is to be repaid from the levy of a mill rate by the Districts, beginning in 2015 for collection in 2016, in semiannual installments due on June 1 and December 1 of each year, beginning June 1, 2017, with a final payment due June 1, 2045. The Note Payable has an interest of 3.46%.

The following is an analysis of changes in Note Payable for the year ending December 31, 2016:

	Balance December 31, 2015	Borrowings	Payments	Balance December 31, 2016	Balance Due in One Year
Note payable	\$ 3,273,315	\$ -	\$ -	\$ 3,273,315	\$ 100,490

The minimum required principal payments based upon the initial draw above are as follows:

<u>Year(s)</u>	
2017	\$ 100,490
2018	70,075
2019	72,555
2020	74,826
2021	75,770
2022 to 2026	431,848
2027 to 2031	513,893
2032 to 2036	611,385
2037 to 2041	727,766
2042 to 2045	592,707
Total	\$ 3,273,315

Wildwing Metropolitan District No. 1, Capital Appreciation Revenue Bonds, Series 2008

In accordance with its Service Plan, the District intends to provide, through construction or acquisition, certain capital improvements that include, but are not limited to, a sanitary sewer line (the "Project") which was dedicated to the Boxelder Sanitation District for ownership, operation, and maintenance. To finance the construction of the Project, the District issued 1,757 Capital Appreciation Revenue Bonds, Series 2008 ("Bonds"), at a discounted value of \$1,592 per bond, for a total amount of \$2,796,968 in May 2008.

The Bonds shall accrue no interest and the Bonds shall accrete in value, compounding semi-annually on each June 1 and December 1, commencing June 1, 2008, from the date of delivery until such time as the Bonds are no longer outstanding, with a projected final accreted value as of December 1, 2023 of \$5,000 per bond.

Wildwing Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D - LONG-TERM DEBT - *continued*

Wildwing Metropolitan District No. 1, Capital Appreciation Revenue Bonds, Series 2008 - continued

The Bonds are payable only upon maturity or prior redemption as described below.

The Bonds become subject to redemption prior to maturity, at the option of the District, in whole or in part, beginning on December 1, 2016, and on any December 1 in any year thereafter, prior to maturity date of the Bonds, upon payment of the then-current Accreted Value of the Bonds. In addition, the Bonds are subject to extraordinary mandatory redemption prior to maturity on June 1 and December 1 of each year from Pledged Revenues.

Through December 31, 2016, 659 Bonds have been redeemed, and, as of December 31, 2016, there are 1,098 Bonds outstanding with an accreted value of \$3,299,830.

Based upon the 1,098 Bonds outstanding the projected annual accretion and final maturity value is as follows:

Year	Bonds outstanding	Per Bond accretion value	Total accreted value	Accretion
2017	1,098	\$ 3,214	\$ 3,528,972	\$ 229,142
2018	1,098	3,460	3,799,080	270,108
2019	1,098	3,724	4,088,952	289,872
2020	1,098	4,009	4,401,882	312,930
2021	1,098	4,315	4,737,870	335,988
2022	1,098	4,645	5,100,210	362,340
2023	1,098	5,000	5,490,000	389,790

In May 2008, the District's Board of Directors authorized the imposition and collection of the Capital Recovery Fees and True-Up Payments, as defined in the Bond Indenture Agreement for the purpose of the repayment of the Bonds. In addition, to further secure repayment of the Bonds, the owners of the property to be served by the Project have entered into Guaranty Agreements, pursuant to which such owners have agreed to guarantee the payment to the District of the Capital Recovery Fees and True-Up Payments.

The initial Capital Recovery Fee was established in 2008 at \$2,594 per Single Family Equivalent Unit, with an increase of 3.75% on April 1 and October 1 of each year. As of December 31, 2016, the Capital Recovery Fee per Single Family Equivalent Unit was \$4,677. The projected Capital Recovery Fee for the remaining term of the Bonds is as follows:

Year(s)	
2017	\$ 459,790
2018	601,371
2019	647,313
2020	702,867
2021	749,990
2022 to 2023	1,744,665
	<u>\$ 4,905,996</u>

Wildwing Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D - LONG-TERM DEBT - *continued*

Wildwing Metropolitan District No. 1, Capital Appreciation Revenue Bonds, Series 2008 - continued

On June 1 and December 1, 2016, 52 bonds, respectively, with a maturity value of \$260,000 were redeemed at an accreted value of \$2,878 and \$2,986 per bond, respectively, for a total of \$304,962.

The following is an analysis of changes in Bonds for the year ending December 31, 2016:

	Balance December 31, 2015	Accretion	Redemptions	Balance December 31, 2016
Capital Appreciation Revenue Bonds, Series 2008	\$ 3,355,551	\$ 249,241	\$ (304,962)	\$ 3,299,830

Revenue and Limited Tax Obligation Promissory Note and Operations and Maintenance Cost Funding and Reimbursement Agreement

The Districts, in furtherance of their Service Plan, will incur administrative and maintenance costs associated with certain improvements within the Districts' boundaries, which may be beyond the Districts' ability to pay from available cash flows or the proceeds of tax-exempt bonds. As such, the Developer is willing to loan or advance funds to the Districts to pay any operations or maintenance cost shortfall and for the initial construction, acquisition, and operations of certain improvements until completed, provided that the Districts agree to repay such amounts.

Accordingly, the Districts entered into an Operations and Maintenance Cost Funding and Reimbursement Agreement. Under the terms of the Operations and Maintenance Cost Funding and Reimbursement Agreement, it shall be annually renewable in one-year terms, to be considered at the time of budget approval of the Districts. Accordingly, the Developer's obligation to advance funds in accordance with the current Operations and Maintenance Cost Funding and Reimbursement Agreement shall terminate on December 31, 2016.

As part of the Districts' obligation to repay the Developer, the Districts have determined that it is necessary to authorize the issuance of a Promissory Note in a principal amount not to exceed \$500,000. The Revenue and Limited Tax Obligation Promissory Note ("Operations Note") was issued in favor of the Developer on December 9, 2015.

The Operations Note shall be repayable only to the extent and in the amount of advances made to the Districts. Each advance shall bear simple interest at the rate of the current Federal Reserve Board Prime Rate plus 2%. The interest shall be payable upon maturity, December 9, 2017, of the Promissory Note, unless extended. As of December 31, 2016, the effective interest rate was 5.75%. As of December 31, 2016, there was accrued interest in the amount \$9,808.

Wildwing Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D - LONG-TERM DEBT - *continued*

Revenue and Limited Tax Obligation Promissory Note and Operations and Maintenance Cost Funding and Reimbursement Agreement - continued

The following is an analysis of changes in the Operations Note for the year ending December 31, 2016:

	Balance December 31, 2015	Borrowings	Payments	Balance December 31, 2016	Balance Due in One Year
Operations Note	\$ 169,614	\$ 23,356	\$ -	\$ 192,970	\$ 192,970

Subordinate Promissory Note and Capital Costs Advance and Reimbursement Agreement

It is anticipated that the Districts will finance the acquisition of capital improvements under the Improvement Acquisition Agreement, further discussed in NOTE G, by the issuance of general obligation bonds by the respective Districts. Should the proceeds of the general obligation bonds, however, be insufficient to pay in full for the improvements, the Districts may issue to the Developer subordinate obligations in the form of bonds or promissory notes. On December 9, 2015, the District issued a Subordinate Promissory Note (Subordinate Note") in favor of the Developer in an amount not to exceed \$29 million, with an initial maturity date of December 9, 2016, which may be extended annually.

The Subordinate Note shall bear simple interest at the rate of 8% per annum from the date any such obligation is issued. In the event the Subordinate Note is paid in full upon maturity, the interest rate shall increase to an annual rate of 12%.

The respective Districts intend to repay any advance under the Capital Costs Advance and Reimbursement Agreement from the proceeds of any revenues determined by the Districts to be available, therefore including fees, rates, toll charges, and other revenue resulting from ad valorem taxes, net of any current operating and maintenance costs of the Districts, and any principal, interest, and other costs related to any outstanding Senior Debt. Any mill levy certified by the Districts, however, for the purpose of repaying advances shall not exceed 50 mills and shall be further subject to any restrictions provided in the Districts' Service Plan, electoral authorization, bond resolutions, indenture, or other documents related to the Districts' issuance of Senior Debt.

In 2016, the maturity date was extended to December 9, 2017.

The following is an analysis of changes in the Subordinate Note for the year ending December 31, 2016.

	Balance December 31, 2015	Borrowings	Payments	Balance December 31, 2016	Balance Due in One Year
Operations Note	\$ 3,092,890	\$ 15,348	\$ -	\$ 3,108,238	\$ 3,108,238

As of December 31, 2016, there was \$401,035 of accrued interest payable.

Wildwing Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D - LONG-TERM DEBT - *continued*

Authorized, But Unissued Debt

As of December 31, 2016, the amount of the authorized, but unissued, debt for the Wildwing Metropolitan District Nos. 1 through 5 was \$43,929,717

NOTE E - CAPITAL ASSETS

The changes in the District's capital assets for the year ending December 31, 2016 are as follows:

	Balance December 31, 2015	Additions	Disposals	Balance December 31, 2016
Capital assets				
Construction costs	\$ 5,139,456	\$ -	\$ (5,139,456)	\$ -
Services and fees	945,827	-	(945,827)	-
Total	\$ 6,085,283	\$ -	\$ (6,085,283)	\$ -

Under the District's Service Plan, upon final acceptance, the capital assets acquired in 2015 are to be conveyed to the Town of Timnath and other local governments, as applicable. In 2016, the District received notification of final acceptance and the capital assets were conveyed.

NOTE F – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose, unless the District's Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Wildwing Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – FUND BALANCE/NET POSITION - *continued*

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District's Board of Directors or a District official delegated the authority to assign such amounts;

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2016, the District's fund balance consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Fund balances:			
Nonspendable			
Prepaid expenses	\$ 14,259	\$ -	\$ 14,259
Restricted			
Emergencies	3,800	-	3,800
Assigned	-	69,576	69,576
Unassigned	<u>11,866</u>	<u>-</u>	<u>11,866</u>
Total fund balances	\$ <u>29,925</u>	\$ <u>69,576</u>	\$ <u>99,501</u>

Net Position

The District's net position represents the difference between the District's assets, liabilities, and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any *related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement* of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G - RELATED PARTY AGREEMENTS

Improvement Acquisition Agreement

In December 2015, the Districts entered into an Improvement Acquisition Agreement (“Acquisition Agreement”) with the Developer under which the Districts may request the Developer to design and construct certain improvements on behalf of the Districts, with the understanding that the Districts would acquire such improvements from the Developer or other appropriate entities from available funds.

Under the terms of the Acquisition Agreement, the Districts agree to acquire the improvements for the Purchase Price, as defined in the Acquisition Agreement, within 30 days of delivery of an Acceptance Letter, or such later date as may be mutually agreed upon by the Districts and the Developer.

In addition, a professional engineer, engaged by the Districts, or, if consented to by the Districts, engaged by the Developer, shall review the costs of the improvements, inspect the improvements, and certify to the District, by means of an Engineer’s Certification, that the costs are reasonable and the improvements are for their intended purpose.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors or omissions, and natural disasters, as well as theft of, damage to, or destruction of, property.

The District is a member of the Colorado Special Districts Property and Liability Pool (“Pool”) as of December 31, 2016. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials’ liability, boiler, and other coverage to its members.

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 that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE I – 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, and debt limitations, which apply to the State of Colorado and to all local governments.

Spending and revenue limits are determined based upon 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. TABOR, however, is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits, will require judicial interpretation.

Wildwing Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE J – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with US GAAP requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through June 30, 2017 which is the date that the financial statements and accompanying footnotes were available for issuance.

NOTE K – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position and Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Activities includes an adjustments column, which reconciles the differences between the government-wide and governmental fund financial statements, as follows:

Governmental Funds Balance Sheet/Statement of Net Position

Long-term debt, including accrued interest payable, is not due and payable in the current period and therefore is not reported in the governmental funds.

Long-term debt	\$	9,874,355
Accrued interest payable		466,802

Elimination of the Developer Advance Receivable 68,434

Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Activities

Principal payments on debt are expenditures in the governmental funds; however, the principal payment is a reduction in the long-term debt as reflected in the Statement of Net Position. 304,962

Interest expense and accretion of the bond discount is recorded in the Statement of Activities when incurred. Interest is only recorded, as paid in the debt service fund.

Accrued interest		258,732
Accretion of the bond discount		249,241

Elimination of the funded and unfunded Developer Advance, the funded portion was reflected as an addition to the Developer Advance in the Statement of Net Position. 107,137

Capital assets conveyed to the Town of Timnath and other local governments previously charged to expenditures in the governmental funds 6,085,283

NOTE - L RESTATEMENT OF THE BEGINNING NET POSITION

The beginning net position was decreased by \$19,539 to correctly reflect the number of Capital Appreciation Revenue Bonds, Series 2008, outstanding as of December 31, 2015.

SUPPLEMENTARY INFORMATION

Wildwing Metropolitan District No.1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year ended December 31, 2016

	Original and Final Budget	Actual	Variance
REVENUE			
Capital recovery fee	\$ 312,290	\$ 312,290	\$ -
Property taxes	165,729	166,688	959
Specific owenship taxes	11,601	12,370	769
Other	-	235	235
	<u>489,620</u>	<u>491,583</u>	<u>1,963</u>
EXPENDITURES			
Paying agent fees	2,500	2,500	-
Treasurer's fees	2,486	3,315	829
Other	2,000	5	
Debt service			
Bond principal payments	345,101	304,961	(40,140)
Interest	111,293	115,144	3,851
	<u>463,380</u>	<u>425,925</u>	<u>(35,460)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	26,240	65,658	35,460
FUND BALANCE			
Beginning balance		<u>3,918</u>	
Ending balance		<u><u>\$ 69,576</u></u>	

Wildwing Metropolitan District No.1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year ended December 31, 2016

	Original and Final Budget	Actual	Variance
EXPENDITURES			
Capital outlay	\$ 2,807,125	\$ 14,936	\$ (2,792,189)
Miscellaneous	-	412	412
	<u>2,807,125</u>	<u>15,348</u>	<u>(2,791,777)</u>
OTHER SOURCES			
Developer advances	<u>2,807,125</u>	<u>15,348</u>	<u>2,791,777</u>
CHANGES IN FUND BALANCE	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE			
Beginning balance		<u>-</u>	
Ending balance		<u>\$ -</u>	