

**Wildwing Metropolitan District No. 1
Larimer County, Colorado**

**Financial Statements
December 31, 2018**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	I-II
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Governmental Funds Balance Sheet and Reconciliation of Fund Balances to Net Position	3
Governmental Fund Revenues, Expenditures and Changes in Fund Balances	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Revenue, Expenditures and Changes in Fund Balances —Actual and Budget—Governmental Fund Type—General Fund	6
Notes to Basic Financial Statements	7
SUPPLEMENTARY INFORMATION	
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Debt Service Fund	18
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Capital Projects Fund	19
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	20



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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Wildwing Metropolitan District No. 1
Town of Johnstown, Colorado

We have audited the accompanying financial statements of the governmental activities and the major funds of Wildwing Metropolitan District No. 1 (the “District”) as of and for the year ended December 31, 2018 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 the major funds of Wildwing Metropolitan District No. 1, as of December 31, 2018 and the respective changes in financial position and the 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 Wildwing Metropolitan District No. 1's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary 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 financial statements and certain 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 financial statements as a whole.



Littleton, Colorado
September 24, 2019

BASIC FINANCIAL STATEMENTS

Wildwing Metropolitan District No. 1
Statement of Net Position
December 31, 2018

Assets	Governmental Activities
Cash and investments	\$ 337,245
Accounts receivable	60,701
Prepaid expense	275
Capital Assets, net of depreciation	10,746,534
Total assets	11,144,755
Liabilities	
Accounts payable	54,281
Accrued Interest	337,957
Due to District 5	307,740
Non-current liabilities:	
Due in less than one year	329,144
Due in more than one year	8,296,808
Total liabilities	9,325,930
Net Position	
Net investment in capital assets	2,111,769
Restricted for:	
Emergency	6,405
Debt service	19,069
Unrestricted	(318,418)
Total Net Position	1,818,825
Total Liabilities and Net Position	\$ 11,144,755

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

Wildwing Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Assets</u>
		<u>Charges for</u> <u>Services and</u> <u>other fees</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 488,581	\$ 739,374	\$ 906	-	\$ 251,699
Interest and related costs on long term debt	838,079	-	-	-	(838,079)
	<u>\$ 1,326,660</u>	<u>\$ 739,374</u>	<u>\$ 906</u>	<u>\$ -</u>	<u>\$ (586,380)</u>
General revenues:					
Property Taxes					288,036
Specific Ownership Taxes					25,140
Transfer In					10,710,794
Interest income					1,129
Total general revenues					<u>11,025,099</u>
Change in net position					10,438,719
Net position - beginning of year					<u>(8,619,894)</u>
Net position (deficit) - end of year					<u>\$ 1,818,825</u>

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

Wildwing Metropolitan District No. 1
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 12,586	\$ 324,659	\$ -	\$ 337,245
Accounts Receivable	58,551	2,150	-	60,701
Prepaid expense	275	-	-	275
Total assets	\$ 71,412	\$ 326,809	\$ -	\$ 398,221
Liabilities				
Accounts payable	54,281	-	-	54,281
Due to District 5	-	307,740	-	307,740
Total liabilities	54,281	307,740	-	362,021
Fund Balances				
Nonspendable	275	-	-	275
Restricted:				
Emergency reserves	6,405	-	-	6,405
Debt service	-	19,069	-	19,069
Unassigned	10,451	-	-	10,451
Total Fund Balances	17,131	19,069	-	36,200
Total Liabilities and Fund Balances	\$ 71,412	\$ 326,809	\$ -	\$ 398,221
Total governmental fund balance per above				\$ 36,200
Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				10,746,534
Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:				
Bonds payable				(1,131,561)
Developer advances				(7,494,391)
Accrued interest				(337,957)
Net position of governmental activities				\$ 1,818,825

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

Wildwing Metropolitan District No. 1
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ -	\$ 288,036	\$ -	\$ 288,036
Specific Ownership Taxes	-	25,140	-	25,140
Capital Recovery Fees	-	556,520	-	556,520
Service fees - District No.2	123,622	-	-	123,622
Service fees - District No.3	28,906	-	-	28,906
Service fees - District No.4	27,808	-	-	27,808
Service fees - District No.5	2,518	-	-	2,518
Grant Revenue	906	-	-	906
Interest income	-	1,129	-	1,129
Total General Revenues	<u>183,760</u>	<u>870,825</u>	<u>-</u>	<u>1,054,585</u>
Expenditures				
Current				
Landscaping	62,037	-	-	62,037
Legal	36,646	-	-	36,646
Irrigation Repair & Upgrade	34,011	-	-	34,011
District management	21,274	-	-	21,274
Utilities	18,821	-	-	18,821
Insurance	11,585	-	-	11,585
Audit/Audit exemption	9,204	-	-	9,204
Office, Maintenance and other	6,178	-	-	6,178
Reseeding	4,985	-	-	4,985
Snow removal	4,627	-	-	4,627
Accounting	2,918	-	-	2,918
Election	1,213	-	-	1,213
Debt service				
Loan Principal	-	10,549,617	-	10,549,617
Debt Interest	-	1,022,321	-	1,022,321
Treasurer Fees	-	5,771	-	5,771
Trustee Fees	-	2,500	-	2,500
Total Expenditures	<u>213,499</u>	<u>11,580,209</u>	<u>-</u>	<u>11,793,708</u>
Excess of revenues over (under) expenditures	(29,739)	(10,709,384)	-	(10,739,123)
Other financing sources (uses)				
Transfers To/From Other Districts	-	10,710,794	-	10,710,794
Transfers To/From Funds	-	-	-	-
Developer Advance	83,130	-	-	83,130
Total other financing sources (uses)	<u>83,130</u>	<u>10,710,794</u>	<u>-</u>	<u>10,793,924</u>
Net change in fund balances	53,391	1,410	-	54,801
Fund balances:				
Beginning of the year	<u>(36,260)</u>	<u>17,659</u>	<u>-</u>	<u>(18,601)</u>
End of the year	<u>\$ 17,131</u>	<u>\$ 19,069</u>	<u>\$ -</u>	<u>\$ 36,200</u>

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

Wildwing Metropolitan District No. 1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

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

Net change in fund balance—total governmental funds	\$	54,801
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure; however, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. In addition, in the Statement of Activities, conveyance of assets to other Districts is reported as an expense.

Depreciation		(275,552)
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Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.

Bond Principal reduction		10,549,617
Accrued interest - change in liability		192,513
Developer Advance		<u>(83,130)</u>

Change in net position of governmental activities	\$	<u>10,438,249</u>
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The accompanying notes are an integral part of these financial statements.

Wildwing Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balances—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue				
Service fees - District No.2	\$ 121,013	\$ 124,010	\$ 123,622	\$ (388)
Service fees - District No.3	27,919	29,387	28,906	(481)
Service fees - District No.4	26,210	27,743	27,808	65
Service fees - District No.5	1,478	2,518	2,518	-
Developer Advance	14,000	90,000	83,130	(6,870)
Grant Revenue	-	165	906	741
Total Revenue	<u>190,620</u>	<u>273,823</u>	<u>266,890</u>	<u>(6,933)</u>
Expenditures				
Landscaping	69,000	69,000	62,037	6,963
Legal	20,000	30,500	36,646	(6,146)
Irrigation Repair & Upgrade	15,000	27,880	34,011	(6,131)
District management	10,800	25,000	21,274	3,726
Dues & Fees	1,400	1,200	-	1,200
Utilities	12,000	16,000	18,821	(2,821)
Insurance	6,150	10,315	11,585	(1,270)
Audit/Audit exemption	7,000	13,500	9,204	4,296
Office, Maintenance and other	1,000	2,112	6,178	(4,066)
Reseeding	-	-	4,985	(4,985)
Snow removal	5,000	10,000	4,627	5,373
Accounting	3,600	10,000	2,918	7,082
Election	2,000	1,213	1,213	-
Contingency	6,370	10,000	-	10,000
Total Expenditures	<u>159,320</u>	<u>226,720</u>	<u>213,499</u>	<u>13,221</u>
Excess Revenue Over (Under)				
Expenditures	<u>31,300</u>	<u>47,103</u>	<u>53,391</u>	<u>6,288</u>
Other financing sources (uses)				
Emergency reserve	<u>(10,000)</u>	-	-	-
Total other financing sources (uses)	<u>(10,000)</u>	-	-	-
Net change in fund balances	21,300	47,103	53,391	6,288
Fund Balances—Beginning of year	<u>17,729</u>	<u>17,729</u>	<u>(36,260)</u>	<u>(53,989)</u>
Fund Balances—End of Year	<u>\$ 39,029</u>	<u>\$ 64,832</u>	<u>\$ 17,131</u>	<u>\$ (47,701)</u>

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

Wildwing Metropolitan District No. 1

Notes to Financial Statements

December 31, 2018

1. Definition of Reporting Entity

Wildwing Metropolitan District No. 1 (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 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 standards.

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

2. Summary of Significant Accounting Policies

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

Government-wide and Fund 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.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Governmental Funds

For 2018, the District has three Governmental Funds:

- *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,
- *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,
- *The Capital Projects Fund* is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

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.

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, 2018, it is the intent of the District to convey all of the currently completed capital assets to the Town of Timnath, other related local governments or homeowner associations.

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.

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, 2018, does not differ materially from the aggregate carrying values used in the accompanying financial statements.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

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.

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, 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.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components.

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Restricted Fund Balance

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 10).

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:

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

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.

3. 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.

4. Cash and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

4. Cash and Investments (continued)

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.

As of December 31, 2018, the District's cash deposits had a carrying balance of \$337,245 and bank balance of \$337,245, of which \$272,310 was FDIC insured. The remainder is secured by PDPA.

Restricted Cash and Cash Equivalents

The District's restricted cash and cash equivalents pertain to the amount of cash and cash equivalents equal to the emergency reserve in the general fund and cash held within the Debt Service Fund.

5. Long-Term Liabilities

The following is an analysis of changes in long-term liabilities for the year ending December 31, 2018:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
Note payable	\$ 5,247,825	\$ -	\$ (5,247,825)	\$ -	\$ -
Capital Appreciation Revenue					
Bonds, Series 2008	1,575,406	109,561	(553,406)	1,131,561	329,144
Operating advances	292,841	83,130	-	375,971	-
Capital assets infrastructure	<u>11,976,368</u>	<u>-</u>	<u>(4,857,948)</u>	<u>7,118,420</u>	<u>-</u>
Total	<u>\$ 19,092,440</u>	<u>\$ 192,691</u>	<u>\$ (10,659,179)</u>	<u>\$ 8,625,952</u>	<u>\$ 329,144</u>

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. In November 2017, the District made a second draw in the amount of \$2,075,000.

The Note Payable is to be repaid from the levy of a mill rate by the Districts 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 balance was paid in full in 2018.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

5. Long-Term Liabilities (continued)

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.

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, 2018, 1,432 Bonds have been redeemed, and, as of December 31, 2018, there are 325 Bonds outstanding with an accreted value of \$1,131,561.

Based on the 325 Bonds outstanding the projected annual accretion and final maturity value is as follows:

<u>Year</u>	<u>Bonds Outstanding</u>	<u>Per Bond Accretion Value</u>	<u>Total Accreted Value</u>	<u>Accretion</u>
2019	325	\$ 3,724	\$ 1,210,300	\$ 85,800
2020	325	4,009	1,302,925	92,625
2021	325	4,315	1,402,375	99,450
2022	325	4,645	1,509,625	107,250
2023	325	5,000	1,625,000	115,375

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.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

5. Long-Term Liabilities (continued)

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, 2018, the Capital Recovery Fee per Single Family Equivalent Unit was \$5,412. The projected Capital Recovery Fee for the remaining term of the Bonds is as follows:

<u>Year(s)</u>	
2019	\$ 418,213
2020	456,247
2021	384,888
2022	414,265
2023	406,783
	<u>\$ 2,080,396</u>

On June 1 and December 1, 2018, 57 bonds and 105 bonds, respectively. The bonds were redeemed at a maturity value of \$190,095 and \$363,311 and an accreted value of \$3,335 and \$3,460 per bond, respectively, for a total of \$553,406.

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, 2018.

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.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

5. Long-Term Liabilities (continued)

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, 2018, of the Promissory Note, unless extended. As of December 31, 2017, the effective interest rate was 6.50%. As of December 31, 2018, there was accrued interest in the amount \$40,007.

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 8, 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. In December 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 has been extended annually through 2018.

Initially, the Subordinate Note had a simple interest at the rate of 8% per annum from the date any such obligation is issued. In December 2015, the interest rate was changed to prime plus 2%. As of December 31, 2018, the effective interest rate was 6.50%. As of December 31, 2018, there was \$297,950 of accrued interest payable.

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.

Authorized, But Unissued Debt

As of December 31, 2018, the amount of the authorized, but unissued, debt for the Wildwing Metropolitan District Nos. 1 through 5 was \$44,921,000.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

6. Capital Assets

The changes in the District's capital assets for the year ending December 31, 2018 are as follows:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018
Infrastructure	\$ 11,022,086	\$ -	\$ -	\$ 11,022,086
Accumulated depreciation	<u>-</u>	<u>(275,552)</u>	<u>-</u>	<u>(275,552)</u>
Capital assets, net	<u>\$ 11,022,086</u>	<u>\$ (275,552)</u>	<u>\$ -</u>	<u>\$ 10,746,534</u>

Under the District's Service Plan, upon final acceptance, the capital assets acquired are to be conveyed to the Town of Timnath, other local governments or homeowner associations, as applicable. For capital assets conveyed, there is a two-year warranty period which is the responsibility of the Developer.

7. Fund Balance/Net Position

As of December 31, 2018, the District's fund balances and net position consisted of the following:

	Fund Balance		Net Position
Nonspendable -		Net investment in capital assets	\$2,111,769
Prepaid expenses	\$ 275	Restricted -	
Restricted -		Emergencies	6,405
Emergencies	6,405	Debt service	19,069
Debt service	19,069	Unrestricted	<u>(318,418)</u>
Unassigned	<u>10,451</u>	Total Net Position	<u>\$1,818,825</u>
Total Fund Balance	<u>\$36,200</u>		

8. 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.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

8. Related Party Agreements (continued)

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.

9. 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, 2018. 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.

10. 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.

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.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2018

10. Tax, Spending and Debt Limitations (continued)

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.

Supplementary Information

Wildwing Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Property Taxes	\$ 289,495	\$ 289,495	\$ 288,036	\$ (1,459)
Specific Ownership Taxes	20,265	25,175	25,140	(35)
Capital Recovery Fees	521,458	556,520	556,520	-
Interest income	-	-	1,129	1,129
Developer Reimbursement	10,151	100,741	-	(100,741)
Total Revenue	<u>841,369</u>	<u>971,931</u>	<u>870,825</u>	<u>(101,106)</u>
Expenditures:				
Loan Principal	632,265	11,484,020	10,549,617	934,403
Bond Interest	180,512	191,034	1,022,321	(831,287)
Treasurer Fees	5,790	5,790	5,771	19
Trustee Fees	2,500	2,500	2,500	-
Total Expenditures	<u>821,067</u>	<u>11,683,344</u>	<u>11,580,209</u>	<u>103,135</u>
Excess Revenue Over (Under)				
Expenditures	<u>20,302</u>	<u>(10,711,413)</u>	<u>(10,709,384)</u>	<u>2,029</u>
Other financing sources (uses)				
Transfers From Other Districts	-	10,711,413	10,710,794	(619)
Total other financing sources (uses)	<u>-</u>	<u>10,711,413</u>	<u>10,710,794</u>	<u>(619)</u>
Net change in fund balances	<u>20,302</u>	<u>-</u>	<u>1,410</u>	<u>1,410</u>
Fund Balance—Beginning of year	<u>-</u>	<u>-</u>	<u>17,659</u>	<u>17,659</u>
Fund Balance—End of Year	<u>\$ 20,302</u>	<u>\$ -</u>	<u>\$ 19,069</u>	<u>\$ 19,069</u>

Wildwing Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Interest Income	\$ -	\$ -	\$ -
Capital Advances	6,000,000	-	(6,000,000)
Total Revenue	<u>6,000,000</u>	<u>-</u>	<u>(6,000,000)</u>
Expenditures:			
Capital Outlay	6,000,000	-	6,000,000
Total Expenditures	<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>
Excess Revenue Over (Under)			
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Transfers To Other Districts	-	-	-
Transfers To/From Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance—Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Wildwing Metropolitan District No. 1

Summary of Assessed Valuation, Mill Levy and Property Taxes Collected December 31, 2018

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied (All Funds)	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2018	\$ 289,495	34.500	\$ 289,495	\$ 288,036	99.50%
Estimated for the year ending 12/31/2019	\$ -	0.000	\$ -		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the county treasurer does not permit identification of specific year or levy.