

Wildwing Metropolitan District No. 1
Larimer County, Colorado

Financial Statements
December 31, 2019

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	I-II
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-v
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	19
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Capital Projects Fund.....	20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wildwing Metropolitan District No. 1
Town of Timnath, 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, 2019 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, 2019 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

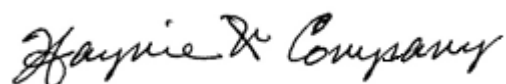
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. This information 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.

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
July 20, 2020

**Wildwing Metropolitan District No. 1
Management's Discussion and Analysis
December 31, 2019**

This section of the Wildwing Metropolitan District No. 1's (District) financial report provides management's narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2019. The discussion focuses on the District's primary government.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's Basic Financial Statements which include: (1) Government-wide Financial Statements, (2) Fund Financial Statements, (3) Notes to Basic Financial Statements and (4) Required Supplementary Information. The District also includes in this report additional information to supplement the Basic Financial Statements.

(1) Government-wide Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (governmental activities). The governmental activities of the District include the financing, construction of, and maintenance of governmental infrastructure including streets, water, sewer, storm, park and recreation, and transportation and traffic improvements constructed or acquired by the District.

The government-wide financial statements can be found on pages 1-2 of this report.

(2) Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund

balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds — general fund, debt service fund, and capital projects fund — all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund in the basic financial statements to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 - 4 of this report.

(3) Notes to Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 7 - 18 of this report.

(4) Required Supplementary Information.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement for this fund has been provided as required supplementary information to demonstrate compliance with this budget. The general fund budget statement is found on page 6 of this report.

Other Information. The report includes individual fund schedules. A budgetary comparison statement has been provided in this section for the debt service and capital projects funds to demonstrate compliance with this budget. The budget statements are found on pages 19 - 20 of this report.

Financial Highlights

- Assets exceeded liabilities by \$807,595 as of December 31, 2019.
- As of December 31, 2019, the District's governmental funds reported combined ending fund balances of \$43,953. This combined fund balance includes \$21,455 of General Fund balance and \$22,498 of the Debt Service Fund balance.
- Total net position decreased by \$1,011,230 during the calendar year 2019.
- Operations fund expenditures totaled \$556,964 during the calendar year 2019. The operations expenditures are those costs incurred to provide administration of the District and maintenance of District assets.

Government-wide Financial Analysis. The District's assets exceeded liabilities by \$807,595 as of December 31, 2019. The following table provides a summary of the District's net position as of December 31, 2019:

Wildwing Metropolitan District No. 1
Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Assets		
Current assets	\$ 139,721	\$ 398,221
Capital assets	10,470,982	10,746,534
Total Assets	10,610,703	11,144,755
Liabilities		
Current liabilities	985,041	699,978
Long-term liabilities	8,818,067	8,625,952
Total Liabilities	9,803,108	9,325,930
Net Position		
Invested in capital assets	1,649,671	2,111,769
Restricted	39,207	25,474
Unrestricted	(881,283)	(318,418)
Total Net Position	\$ 807,595	\$ 1,818,825

Governmental Activities. Governmental activities decreased the District's net position by \$1,011,230. The following table provides a summary of the District's changes in net position for the year ended December 31, 2019:

Wildwing Metropolitan District No. 1
Statement of Activities

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues		
Charges for Services	454,264	739,374
Operating Grants	-	906
Total Program Revenues	454,264	740,280
General Revenues		
Taxes	470	313,176
Interest Income	4,939	1,129
Transfer In (Out)	(543)	10,710,794
Total General Revenues	4,866	11,025,099
Total Revenues	459,130	11,765,379
Program Expenses		
General Government	(838,235)	(488,581)
Interest on Long-Term Debt	(632,125)	(838,079)
Total Program Expenses	(1,470,360)	(1,326,660)
Change in Net Position	(1,011,230)	10,438,719
Net Position, Beginning	1,818,825	(8,619,894)
Net Position, Ending	\$ 807,595	\$ 1,818,825

Financial Analysis of the District's Funds

Net Position. As noted earlier, the District's net position decreased by \$1,011,230. The primary reasons are due to depreciation of the District's assets of \$275,552, additional operating advances of \$437,242 and accrued interest of \$551,316 in 2019.

Property Tax Revenue. The primary source of revenue for the Districts is property taxes. Additional information on the District's property taxes can be found on page 9 of this report.

Below is a summary of the assessed value and property tax revenues of the Districts for tax collection year 2019:

District	Assessed Valuation 2019 Collections	Mills Levied	Property Taxes Levied
No. 2	\$ 6,229,064	54.912	\$ 342,050
No. 3	\$ 1,565,126	52.410	\$ 82,028
No. 4	\$ 1,344,892	50.473	\$ 67,881
No. 5	\$ 115,130	50.000	\$ 5,757
	\$ 9,254,212		\$ 497,716

The Districts have differing mill levies due to changes made to the residential assessment rate by the State of Colorado.

Budgetary Highlights

General Fund. During 2019, the District amended and increased the general fund budget by \$297,326. The District evaluated the landscape and hardscape assets and determined a substantial effort in repair, replacement and natural area revitalization was necessary which resulted in additional costs. Additional information on the District's general fund budget can be found on page 6 of this report.

Capital Fund. The District was under budget by \$3,994,281 in 2019. The District anticipated acquiring public improvements from the Developer in the amount of \$4,000,000 during 2019. The public improvements were not presented to the District and as such no acquisition acceptance occurred. The construction and acquisition of public improvements is completed as part of the buildout phases of the Wildwing development. Public improvements in Districts Nos. 2 and 3 have been largely accepted. Public improvements in Districts No. 4 and 5 have yet to be accepted. Additional information on the District's capital fund budget can be found on page 20 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total outstanding long-term debt of \$9,707,341. Additional information on the District's long-term debt can be found in note 5 on pages 12-15 of this report.

Agreement Concerning Wildwing Metropolitan District No. 1's Improvements

In December 2015, the Districts entered into an Improvement 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. Additional information on this agreement can be found in note 8 on page nos. 16-17 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to: Wildwing Metropolitan District No. 1, c/o Pinnacle Consulting Group, Inc., 550 W. Eisenhower Blvd., Loveland, CO 80537.

BASIC FINANCIAL STATEMENTS

Wildwing Metropolitan District No. 1
Statement of Net Position
December 31, 2019

Assets	Governmental Activities
Cash and investments	\$ 81,950
Accounts receivable	54,961
Prepaid expense	2,810
Capital Assets, net of depreciation	10,470,982
Total assets	10,610,703
Liabilities	
Accounts payable	83,049
Accrued Interest	889,273
Due to District 5	12,719
Non-current liabilities:	
Due in less than one year	357,599
Due in more than one year	8,460,468
Total liabilities	9,803,108
Net Position	
Net investment in capital assets	1,649,671
Restricted for:	
Emergency	16,709
Debt service	22,498
Unrestricted	(881,283)
Total Net Position	807,595
Total Liabilities and Net Position	\$ 10,610,703

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, 2019

<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	\$ 838,235	\$ 454,264	\$ -	-	\$ (383,971)
Interest and related costs on long term debt	632,125	-	-	-	(632,125)
	<u>\$ 1,470,360</u>	<u>\$ 454,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,016,096)</u>

General revenues:

Property Taxes	470
Transfers out	(543)
Interest income	4,939
Total general revenues	<u>4,866</u>
Change in net position	(1,011,230)
Net position - beginning of year	<u>1,818,825</u>
Net position - end of year	<u>\$ 807,595</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, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 49,399	\$ 32,551	\$ -	\$ 81,950
Accounts Receivable	51,463	2,796	702	54,961
Prepaid expense	2,810	-	-	2,810
Total assets	<u>\$ 103,672</u>	<u>\$ 35,347</u>	<u>\$ 702</u>	<u>\$ 139,721</u>
Liabilities				
Accounts payable	82,217	130	702	83,049
Due to District 5	-	12,719	-	12,719
Total liabilities	<u>82,217</u>	<u>12,849</u>	<u>702</u>	<u>95,768</u>
Fund Balances				
Nonspendable	2,810	-	-	2,810
Restricted:				
Emergency reserves	16,709	-	-	16,709
Debt service	-	22,498	-	22,498
Unassigned	1,936	-	-	1,936
Total Fund Balances	<u>21,455</u>	<u>22,498</u>	<u>-</u>	<u>43,953</u>
Total Liabilities and Fund Balances	<u>\$ 103,672</u>	<u>\$ 35,347</u>	<u>\$ 702</u>	<u>\$ 139,721</u>
Total governmental fund balance per above				\$ 43,953
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.				10,470,982
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				(880,715)
Developer advances				(7,937,352)
Accrued interest				(889,273)
Net position of governmental activities				<u>\$ 807,595</u>

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, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ -	\$ 470	\$ -	\$ 470
Capital Recovery Fees	-	332,195	-	332,195
Service fees - District No.2	83,679	-	-	83,679
Service fees - District No.3	20,256	-	-	20,256
Service fees - District No.4	16,722	-	-	16,722
Service fees - District No.5	1,412	-	-	1,412
Interest income	1,977	2,962	-	4,939
Total General Revenues	<u>124,046</u>	<u>335,627</u>	<u>-</u>	<u>459,673</u>
Expenditures				
Current				
Accounting and Finance	32,861	-	-	32,861
Amenities	650	-	-	650
Audit/Audit exemption	13,900	-	-	13,900
District management	98,210	-	-	98,210
Hardscape	25,871	-	-	25,871
Insurance	7,706	-	-	7,706
Legal	30,315	-	-	30,315
Landscape Maintenance	99,404	-	-	99,404
Miscellaneous Services	1,963	-	-	1,963
Office, Dues, Newsletters & Other	3,895	-	-	3,895
Repairs and Replacement	220,215	-	-	220,215
Storm Water Facility	2,490	-	-	2,490
Utilities	13,484	-	-	13,484
Capital outlay	-	-	5,719	5,719
Debt service				
Debt principal reduction	-	329,144	-	329,144
Treasurer Fees	-	11	-	11
Trustee Fees	6,000	2,500	-	8,500
Total Expenditures	<u>556,964</u>	<u>331,655</u>	<u>5,719</u>	<u>894,338</u>
Excess of revenues over (under) expenditures	(432,918)	3,972	(5,719)	(434,665)
Other financing sources (uses)				
Transfers To/From Other Districts	-	(543)	-	(543)
Developer Advance	437,242	-	5,719	442,961
Total other financing sources (uses)	<u>437,242</u>	<u>(543)</u>	<u>5,719</u>	<u>442,418</u>
Net change in fund balances	4,324	3,429	-	7,753
Fund balances:				
Beginning of the year	<u>17,131</u>	<u>19,069</u>	<u>-</u>	<u>36,200</u>
End of the year	<u>\$ 21,455</u>	<u>\$ 22,498</u>	<u>\$ -</u>	<u>\$ 43,953</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, 2019

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

Net change in fund balance—total governmental funds	\$	7,753
---	----	-------

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)
--------------	--	-----------

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		329,144
Accrued interest - change in liability		(551,315)
Bond interest accretion		(78,298)
Developer Advance		(442,961)
		(442,961)

Change in net position of governmental activities	\$	<u>(1,011,230)</u>
---	----	--------------------

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue				
Service fees - District No.2	\$ 81,820	\$ 83,807	\$ 83,679	\$ (128)
Service fees - District No.3	19,621	20,103	20,256	153
Service fees - District No.4	16,238	16,687	16,722	35
Service fees - District No.5	1,377	1,410	1,412	2
Developer Advance	157,428	450,785	437,242	(13,543)
Interest and other income	-	72	1,977	1,905
Total Revenue	<u>276,484</u>	<u>572,864</u>	<u>561,288</u>	<u>(11,576)</u>
Expenditures				
Accounting and Finance	29,500	35,100	32,861	2,239
Amenities	-	4,000	650	3,350
Audit/Audit exemption	15,000	13,900	13,900	-
Contingency	10,000	5,000	-	5,000
District management	58,800	89,000	98,210	(9,210)
Hardscape	5,000	22,220	25,871	(3,651)
Insurance	11,892	11,892	7,706	4,186
Legal	15,000	35,000	30,315	4,685
Landscape Maintenance	108,092	102,345	99,404	2,941
Miscellaneous Services	1,200	2,070	1,963	107
Office, Dues, Newsletters & Other	3,000	3,000	3,895	(895)
Repairs and Replacement	-	222,883	220,215	2,668
Storm Water Facility	-	2,400	2,490	(90)
Trustee Fees	-	6,000	6,000	-
Utilities	18,000	18,000	13,484	4,516
Total Expenditures	<u>275,484</u>	<u>572,810</u>	<u>556,964</u>	<u>15,846</u>
Excess Revenue Over (Under) Expenditures	<u>1,000</u>	<u>54</u>	<u>4,324</u>	<u>4,270</u>
Net change in fund balances	1,000	54	4,324	4,270
Fund Balances—Beginning of year	<u>10,371</u>	<u>17,131</u>	<u>17,131</u>	<u>-</u>
Fund Balances—End of Year	<u>\$ 11,371</u>	<u>\$ 17,185</u>	<u>\$ 21,455</u>	<u>\$ 4,270</u>

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

Wildwing Metropolitan District No. 1

Notes to Financial Statements

December 31, 2019

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. As permitted by the Amended Service Plan, the primary purpose of District No. 1 is to hold a small amount of land, to provide and administer the financing associated with the development of Wildwing and to provide long term operations and maintenance of public improvements retained by the Districts. 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, 2019

2. Summary of Significant Accounting Policies (continued)

Governmental Funds

For 2019, 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. 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, 2019, the District has conveyed a portion of the completed capital assets to the Town of Timnath and other related local governments and intends to convey additional capital assets to the Town of Timnath and other related local governments as they are completed.

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, 2019, 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, 2019

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 the equivalent of 50 mills (based on the 2014 residential assessment rate), respectively. Should the total amount of aggregate debt of a District be equal to or less than 50% of a District's 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. As of December 31, 2019, the Operations and Maintenance Mill Levy of Districts Nos. 2 through 5 are pledged to District 1 and the Debt Mill Levy of Districts Nos. 1 through 4 are pledged to District 5.

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, 2019

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, 2019

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, 2019

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, 2019, the District's cash deposits had a carrying balance of \$81,950 and bank balance of \$81,950, of which \$81,950 was FDIC insured.

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, 2019:

	<u>Balance at December 31, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2019</u>	<u>Due Within One Year</u>
Capital Appreciation Revenue					
Bonds, Series 2008	1,131,561	78,298	(329,144)	880,716	357,599
Operating advances	375,971	437,242	-	813,213	-
Capital advances	7,118,420	5,719	-	7,124,139	-
Accrued interest	<u>337,957</u>	<u>551,316</u>	<u>-</u>	<u>889,273</u>	<u>-</u>
Total	<u>\$ 8,963,909</u>	<u>\$ 1,072,575</u>	<u>\$ (329,144)</u>	<u>\$ 9,707,341</u>	<u>\$ 357,599</u>

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 (continued)
December 31, 2019

5. Long-Term Liabilities (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, 2019, 1,522 Bonds have been redeemed, and, as of December 31, 2019, there are 235 Bonds outstanding with an accreted value of \$880,716.

Based on the 235 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>
2020	235	4,009	\$ 942,115	\$ 129,015
2021	235	4,315	1,014,025	71,910
2022	235	4,645	1,091,575	77,550
2023	235	5,000	1,175,000	83,425
2024	235	5,000	1,175,000	-

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, 2019, the Capital Recovery Fee per Single Family Equivalent Unit was \$6,049.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Liabilities (continued)

The projected Capital Recovery Fee for the remaining term of the Bonds is as follows:

<u>Year(s)</u>	
2020	\$ 357,599
2021	384,888
2022	414,265
2023	<u>406,783</u>
	<u>\$ 1,563,535</u>

On June 1 and December 1, 2019, 45 bonds and 45 bonds, respectively were reduced. The bonds were redeemed at a maturity value of \$161,543 and \$167,600 and an accreted value of \$3,590 and \$3,724 per bond, respectively, for a total of \$329,144.

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 was renewed on November 18, 2019.

As part of the Districts' obligation to repay the Developer, the Districts initially authorized the issuance of a Promissory Note in a principal amount not to exceed \$500,000, which was subsequently amended to an amount not to exceed \$1,000,000, in June 2019 and \$1,200,000, in November 2019. 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, 2019

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, November 18, 2020, of the Promissory Note, unless extended. As of December 31, 2019, the effective interest rate was 6.75%. As of December 31, 2019, there was accrued interest in the amount \$72,816.

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 2020.

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, 2019, the effective interest rate was 6.50%. As of December 31, 2019, there was \$816,457 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, 2019, the District's Service Plan includes a debt authorization limit of \$28,924,000 for all Districts and the amount of the authorized, but unissued, debt for the Wildwing Metropolitan District Nos. 1 through 5 was \$15,963,020. Operating and capital advances that are subject to annual appropriations and are not considered multi-fiscal year debt, and as such are not subject to the debt authorization limit.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Liabilities (continued)

Service Plan Limitation	\$ 28,924,000
District 1 - 2015 Bank Loan	(5,348,315)
District 5 - 2018 Bonds, net of 2015 Bank Loan refinance	<u>(7,612,665)</u>
Authorized but unissued debt	<u>\$ 15,963,020</u>

6. Capital Assets

The changes in the District's capital assets for the year ending December 31, 2019 are as follows:

	Balance at December 31, 2018	Additions	Retirements	Balance at December 31, 2019
Infrastructure	\$ 11,022,086	\$ -	\$ -	\$ 11,022,086
Accumulated depreciation	<u>(275,552)</u>	<u>(275,552)</u>	<u>-</u>	<u>(551,104)</u>
Capital assets, net	<u>\$ 10,746,534</u>	<u>\$ (275,552)</u>	<u>\$ -</u>	<u>\$ 10,470,982</u>

Under the District's Service Plan, upon final acceptance, the capital assets acquired may 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, 2019, the District's fund balances and net position consisted of the following:

	Fund Balance		Net Position
Nonspendable -		Net investment in capital assets	\$ 1,649,671
Prepaid expenses	\$ 2,810	Restricted -	
Restricted -		Emergencies	16,709
Emergencies	16,709	Debt service	22,498
Debt service	22,498	Unrestricted	<u>(881,283)</u>
Unassigned	<u>1,936</u>	Total Net Position	<u>\$ 807,595</u>
Total Fund Balance	<u>\$43,953</u>		

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2019

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.

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, 2019. 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

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2019

10. Tax, Spending and Debt Limitations (continued)

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.

11. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact operations of the District. Other financial impacts could occur, though such potential impacts are unknown at this time.

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, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Property Taxes	\$ -	\$ 470	\$ 470
Interest Income	-	2,962	2,962
Capital Recovery Fees	440,204	332,195	(108,009)
Total Revenue	440,204	335,627	(104,577)
Expenditures:			
Bond Interest	440,204	329,144	111,060
Treasurer Fees	-	11	(11)
Trustee Fees	-	2,500	(2,500)
Total Expenditures	440,204	331,655	108,549
Excess Revenue Over (Under) Expenditures	-	3,972	3,972
Other financing sources (uses)			
Transfers To Other Districts	-	(543)	(543)
Total other financing sources (uses)	-	(543)	(543)
Net change in fund balances	-	3,429	3,429
Fund Balance—Beginning of year	19,068	19,069	1
Fund Balance—End of Year	\$ 19,068	\$ 22,498	\$ 3,430

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, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Interest Income	\$ -	\$ -	\$ -
Capital Advances	4,000,000	5,719	(3,994,281)
Total Revenue	<u>4,000,000</u>	<u>5,719</u>	<u>(3,994,281)</u>
Expenditures:			
Capital Outlay	<u>4,000,000</u>	<u>5,719</u>	<u>3,994,281</u>
Total Expenditures	<u>4,000,000</u>	<u>5,719</u>	<u>3,994,281</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>