

**Wildwing Metropolitan District No. 1  
Town of Timnath, Colorado**

**Financial Statements  
December 31, 2022**





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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management  
Wildwing Metropolitan District No. 1  
Town of Timnath, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Wildwing Metropolitan District No. 1 as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of Wildwing Metropolitan District No. 1, as of December 31, 2022 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wildwing Metropolitan District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wildwing Metropolitan District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wildwing Metropolitan District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wildwing Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Required Supplementary Information**

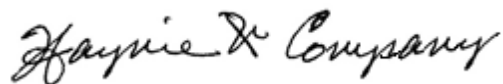
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion 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

Sincerely,

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado

July 19, 2023

## **BASIC FINANCIAL STATEMENTS**

**Wildwing Metropolitan District No. 1**  
**Statement of Net Position**  
**December 31, 2022**

| <b>Assets</b>                       | <b>Governmental<br/>Activities</b> |
|-------------------------------------|------------------------------------|
| Cash and investments                | \$ 321,955                         |
| Accounts receivable                 | 24,907                             |
| Prepaid expense                     | 26,110                             |
| Capital Assets, net of depreciation | 9,644,325                          |
| Total assets                        | \$ 10,017,297                      |
| <b>Liabilities</b>                  |                                    |
| Accounts payable                    | \$ 31,285                          |
| Prepaid fees                        | 6,472                              |
| Accrued Interest                    | 2,075,653                          |
| Due to District No. 5               | 4,243                              |
| Non-current liabilities:            |                                    |
| Due in less than one year           | -                                  |
| Due in more than one year           | 7,133,889                          |
| Total liabilities                   | 9,251,542                          |
| <b>Net Position</b>                 |                                    |
| Net investment in capital assets    | 2,510,436                          |
| Restricted for:                     |                                    |
| Emergency                           | 18,728                             |
| Debt service                        | 188,506                            |
| Unrestricted                        | (1,951,915)                        |
| Total Net Position                  | 765,755                            |
| Total Liabilities and Net Position  | \$ 10,017,297                      |

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, 2022**

| <b>Functions/Programs</b>                       | <b>Expenses</b>     | <b>Program Revenues</b>                            |   |   | <b>Net (Expense)<br/>Revenue and<br/>Changes in Net<br/>Position</b> |
|---|---------------------|--|---|---|--|
|   |                     | <b>Charges for<br/>Services and<br/>other fees</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> | <b>Primary Government</b>  |
|   |                     |  |   |   | <b>Governmental<br/>Activities</b>                                   |
| Primary government:                             |                     |  |   |   |  |
| Governmental activities:                        |                     |  |   |   |  |
| General government                              | \$ 820,506          | \$ 1,038,423                                       | \$ -  | \$ -  | \$ 217,917   |
| Interest and related costs on<br>long term debt | 432,769             | -  | -   | -   | (432,769)  |
|   | <u>\$ 1,253,275</u> | <u>\$ 1,038,423</u>                                | <u>\$ -</u>                                       | <u>\$ -</u>                                     | <u>\$ (214,852)</u>  |
| General revenues:                               |                     |  |   |   |  |
| Interest income                                 |                     |  |   |   | 3,260  |
| Total general revenues                          |                     |  |   |   | 3,260  |
| Change in net position                          |                     |  |   |   | (211,592)  |
| Net position - beginning of year                |                     |  |   |   | 977,347  |
| Net position - end of year                      |                     |  |   |   | <u>\$ 765,755</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, 2022**

|  | General<br>Fund   | Debt Service<br>Fund | Total<br>Governmental<br>Funds |
|--|-------------------|----------------------|--------------------------------|
| <b>Assets</b>                              |                   |                      |                                |
| Cash and investments                       | \$ 131,706        | \$ 190,249           | \$ 321,955                     |
| Accounts Receivable                        | 24,907            | -                    | 24,907                         |
| Prepaid expense                            | 23,610            | 2,500                | 26,110                         |
| Total assets                               | \$ 180,223        | \$ 192,749           | \$ 372,972                     |
| <b>Liabilities</b>                         |                   |                      |                                |
| Accounts payable                           | \$ 31,285         | \$ -                 | \$ 31,285                      |
| Prepaid fees                               | 6,472             | -                    | 6,472                          |
| Due to District No.5                       | -                 | 4,243                | 4,243                          |
| Total liabilities                          | 37,757            | 4,243                | 42,000                         |
| <b>Fund Balances</b>                       |                   |                      |                                |
| Nonspendable                               | 23,610            | 2,500                | 26,110                         |
| Restricted:                                |                   |                      |                                |
| Emergencies reserve                        | 18,728            | -                    | 18,728                         |
| Debt Service                               | -                 | 186,006              | 186,006                        |
| Unassigned                                 | 100,128           | -                    | 100,128                        |
| Total Fund Balances                        | 142,466           | 188,506              | 330,972                        |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 180,223</b> | <b>\$ 192,749</b>    | <b>\$ 372,972</b>              |

Total governmental fund balance per above \$ 330,972

Amounts reported for governmental activities in the Statement of Net Position 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. 9,644,325

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:

Developer advances (7,133,889)

Accrued interest - Developer Advances (2,075,653)

Net position of governmental activities \$ 765,755

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, 2022**

|                                    | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|------------------------------------|-------------------|-------------------------|---|
| <b>Revenues</b>                    |                   |                         |   |
| Capital Recovery Fees              | \$ -              | \$ 416,620              | \$ 416,620                              |
| Operations and Maintenance Fees    | 352,000           | -                       | 352,000                                 |
| Service fees - District No.2       | 107,931           | -                       | 107,931                                 |
| Service fees - District No.3       | 64,422            | -                       | 64,422                                  |
| Service fees - District No.4       | 70,186            | -                       | 70,186                                  |
| Service fees - District No.5       | 16,402            | -                       | 16,402                                  |
| Other income                       | 10,862            | -                       | 10,862                                  |
| Interest income                    | <u>2,448</u>      | <u>812</u>              | <u>3,260</u>                            |
| Total General Revenues             | <u>624,251</u>    | <u>417,432</u>          | <u>1,041,683</u>                        |
| <b>Expenditures</b>                |                   |                         |   |
| Current                            |                   |                         |   |
| Accounting and Finance             | 32,500            | -                       | 32,500                                  |
| Audit/Audit Exemption              | 15,600            | -                       | 15,600                                  |
| Fee Billing                        | 21,252            | -                       | 21,252                                  |
| District Management                | 104,488           | -                       | 104,488                                 |
| Constituent communications         | 1,788             | -                       | 1,788                                   |
| Election                           | 3,432             | -                       | 3,432                                   |
| Insurance                          | 16,415            | -                       | 16,415                                  |
| Legal                              | 34,498            | -                       | 34,498                                  |
| Landscape Maintenance              | 195,476           | -                       | 195,476                                 |
| Hardscape                          | 14,769            | -                       | 14,769                                  |
| Storm Water Facility               | 3,441             | -                       | 3,441                                   |
| Repairs and Replacement            | 79,215            | -                       | 79,215                                  |
| Utilities                          | 7,272             | -                       | 7,272                                   |
| Office, Dues, Newsletters & Other  | 6,308             | -                       | 6,308                                   |
| Debt service                       |                   |                         |   |
| Debt Principal                     | -                 | 220,083                 | 220,083                                 |
| Bond Interest                      | -                 | 9,091                   | 9,091                                   |
| Trustee Fees                       | <u>6,000</u>      | <u>2,500</u>            | <u>8,500</u>                            |
| Total Expenditures                 | <u>542,454</u>    | <u>231,674</u>          | <u>774,128</u>                          |
| <b>Net change in fund balances</b> | 81,797            | 185,758                 | 267,555                                 |
| <b>Fund balances:</b>              |                   |                         |   |
| <b>Beginning of the year</b>       | <u>60,669</u>     | <u>2,748</u>            | <u>63,417</u>                           |
| <b>End of the year</b>             | <u>\$ 142,466</u> | <u>\$ 188,506</u>       | <u>\$ 330,972</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, 2022**

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

|   |    |         |
|---|----|---------|
| Net change in fund balance—total governmental funds | \$ | 267,555 |
|---|----|---------|

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 payments                                      |  | 220,083          |
| Accretion of bond interest                                   |  | 65,033           |
| Accrued Interest on Developer Advances - Change in Liability |  | <u>(488,711)</u> |

|   |    |                  |
|---|----|------------------|
| Change in net position of governmental activities | \$ | <u>(211,592)</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, 2022**

|  | <u>Original<br/>and Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|--|-------------------|---|
| <b>Revenue</b>                         |  |                   |   |
| Operations and Maintenance Fees        | \$ 352,000                               | \$ 352,000        | \$ -  |
| Service fees - District No.2           | 108,113                                  | 107,931           | (182)   |
| Service fees - District No.3           | 64,739                                   | 64,422            | (317)   |
| Service fees - District No.4           | 70,231                                   | 70,186            | (45)  |
| Service fees - District No.5           | 16,389                                   | 16,402            | 13  |
| Other Income                           | -  | 10,862            | 10,862  |
| Interest and other income              | 6,000                                    | 2,448             | (3,552)   |
| Total Revenue                          | <u>617,472</u>                           | <u>624,251</u>    | <u>6,779</u>                                    |
| <b>Expenditures</b>                    |  |                   |   |
| Accounting and Finance                 | 32,500                                   | 32,500            | -   |
| Audit/Audit exemption                  | 15,600                                   | 15,600            | -   |
| Fee Billings                           | 23,000                                   | 21,252            | 1,748   |
| District management                    | 105,170                                  | 104,488           | 682   |
| Constituent communications             | 3,000                                    | 1,788             | 1,212   |
| Election                               | 10,000                                   | 3,432             | 6,568   |
| District Engineer                      | 11,000                                   | -                 | 11,000  |
| Insurance                              | 19,997                                   | 16,415            | 3,582   |
| Legal                                  | 15,000                                   | 34,498            | (19,498)  |
| Landscape Maintenance                  | 211,549                                  | 195,476           | 16,073  |
| Hardscape                              | 22,500                                   | 14,769            | 7,731   |
| Storm Water Facility                   | 3,000                                    | 3,441             | (441)   |
| Sanitary Sewer Facility                | 2,000                                    | -                 | 2,000   |
| Non-potable Water Facilities           | 1,500                                    | -                 | 1,500   |
| Amenities                              | 7,350                                    | -                 | 7,350   |
| Miscellaneous Services                 | 300                                      | -                 | 300   |
| Repairs and Replacement                | 87,395                                   | 79,215            | 8,180   |
| Utilities                              | 20,470                                   | 7,272             | 13,198  |
| Trustee Fees                           | 6,000                                    | 6,000             | -   |
| Office, Dues, Newsletters & Other      | 9,000                                    | 6,308             | 2,692   |
| Total Expenditures                     | <u>606,331</u>                           | <u>542,454</u>    | <u>63,877</u>                                   |
| <b>Excess Revenue Over (Under)</b>     |  |                   |   |
| <b>Expenditures</b>                    | <u>11,141</u>                            | <u>81,797</u>     | <u>70,656</u>                                   |
| <b>Net change in fund balances</b>     | 11,141                                   | 81,797            | 70,656  |
| <b>Fund Balances—Beginning of year</b> | <u>54,048</u>                            | <u>60,669</u>     | <u>6,621</u>                                    |
| <b>Fund Balances—End of Year</b>       | <u>\$ 65,189</u>                         | <u>\$ 142,466</u> | <u>\$ 77,277</u>                                |

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

# **Wildwing Metropolitan District No. 1**

## **Notes to Financial Statements**

### **December 31, 2022**

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#### **1. Definition of Reporting Entity**

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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.

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#### **2. Summary of Significant Accounting Policies**

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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, 2022**

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**2. Summary of Significant Accounting Policies (continued)**

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**Governmental Funds**

For 2022, 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. This fund is currently inactive.

**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, 2022, 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, 2022, 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, 2022**

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**2. Summary of Significant Accounting Policies (continued)**

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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 be increased to 60 mills. As of December 31, 2022, 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, 2022**

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**2. Summary of Significant Accounting Policies (continued)**

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**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, 2022**

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**2. Summary of Significant Accounting Policies (continued)**

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*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.

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**3. Budget Information**

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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.

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**4. Cash and Investments**

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The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Wildwing Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2022**

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**4. Cash and Investments (continued)**

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As of December 31, 2022, the District's cash deposits had a carrying and bank balance of \$321,956, which was fully 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.

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**5. Long-Term Liabilities**

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The following is an analysis of changes in long-term liabilities for the year ending December 31, 2022:

|   | <u>Balance at<br/>December 31,<br/>2021</u> | <u>Additions</u>  | <u>Retirements</u>  | <u>Balance at<br/>December 31,<br/>2022</u> | <u>Due<br/>Within<br/>One Year</u> |
|---|---|-------------------|---------------------|---|------------------------------------|
| <u>Capital Appreciation Bond</u>                              |   |                   |                     |   |                                    |
| Capital Appreciation Revenue                                  |   |                   |                     |   |                                    |
| Bonds, Series 2008  | \$ 220,083                                  | \$ -              | \$ (220,083)        | \$ -  | \$ -                               |
| <u>Notes from direct borrowing and<br/>direct placements:</u> |   |                   |                     |   |                                    |
| Capital advances  | 7,133,890                                   | -                 | -                   | 7,133,890                                   | -                                  |
| Operating advances  | -   | -                 | -                   | -   | -                                  |
| Accrued interest - advances                                   | <u>1,586,942</u>                            | <u>488,711</u>    | <u>-</u>            | <u>2,075,653</u>                            | <u>-</u>                           |
| Total   | <u>\$ 8,940,915</u>                         | <u>\$ 488,711</u> | <u>\$ (220,083)</u> | <u>\$ 9,209,543</u>                         | <u>\$ -</u>                        |

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

In accordance with its Service Plan, the District provided, 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.

**Wildwing Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2022**

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**5. Long-Term Liabilities (continued)**

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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, 2022, 1,663 Bonds have been redeemed, and, as of December 31, 2022, there are no bonds that remain outstanding.

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, 2022, the Capital Recovery Fee per Single Family Equivalent Unit was \$7,274.

On June 1 and December 1, 2022, 45 and 10 bonds were redeemed, respectively. The bonds were redeemed at a maturity value of \$201,472 and \$46,451 and an accreted value of \$4,477 and \$4,645 per bond, respectively, for a total of \$247,922.

The bond indenture provides that the occurrence or existence of any one or more of the following events shall be an event of default thereunder: (i) the District fails or refuses to apply the pledged Revenue as required by the provisions hereof; (ii) the District fails to cure any noncompliance with any other provision of the bond indentures within 30 days, or such longer period as may be approved by the majority bondholders, after receiving written notice of such noncompliance from the trustee or the owners of at least 25% of the bond obligation; (iii) the District files a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, State or federal, now or hereafter existing; takes any action indicating its consent to, approval of, or acquiescence in, any such petition or proceeding; applies for, or consents or acquiesces in the appointment of, a receiver or a trustee of the District or for all or a substantial part of its property; makes an assignment for the benefit of creditors; or is unable, or admits in writing its inability, to pay its debts as they mature; (iv) Proceedings are commenced against the District, without its authorization, consent or application, in bankruptcy or seeking reorganization, arrangement, readjustment or composition of its debts or for any other relief under the federal

**Wildwing Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2022**

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**5. Long-Term Liabilities (continued)**

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bankruptcy laws or under any other insolvency act or law, State or federal, now or hereafter existing, or seeking the involuntary appointment of a receiver or trustee of the District or for all or a substantial part of its property, and the same shall continue for 90 days undismissed or undischarged or shall result in the adjudication of bankruptcy or insolvency.

Upon the occurrence of any event of default, as defined in the bond indenture, the Bonds shall immediately without notice be accelerated so that the then current accreted value of the Bonds then Outstanding is immediately due and owing in full; and the trustee may take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the owners of the Bonds and shall deposit any moneys received as a result of such action in the Bond Fund.

**Subordinate Promissory Note, 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 2022. As of December 31, 2022, the outstanding balance of the Subordinate Note was \$7,133,889.

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, 2022, the effective interest rate was 9.50%. As of December 31, 2022, there was \$2,075,653 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.

**Wildwing Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2022**

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**5. Long-Term Liabilities (continued)**

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**Authorized, But Unissued Debt**

As of December 31, 2022, 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.

|  |                    |
|--|--------------------|
| 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                             | \$ 15,963,020      |

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**6. Capital Assets**

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The changes in the District's capital assets for the year ending December 31, 2022 are as follows:

|                          | <u>Balance at<br/>December 31,<br/>2021</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Balance at<br/>December 31,<br/>2022</u> |
|--------------------------|---|---------------------|--------------------|---|
| Infrastructure           | \$ 11,022,086                               | \$ -                | \$ -               | \$ 11,022,086                               |
| Accumulated depreciation | <u>(1,102,209)</u>                          | <u>(275,552)</u>    | <u>-</u>           | <u>(1,377,761)</u>                          |
| Capital assets, net      | <u>\$ 9,919,877</u>                         | <u>\$ (275,552)</u> | <u>\$ -</u>        | <u>\$ 9,644,325</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.

**Wildwing Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2022**

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**7. Fund Balance/Net Position**

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As of December 31, 2022, the District's fund balances and net position consisted of the following:

|                    | <u>Fund<br/>Balance</u> |                                  |  | <u>Net<br/>Position</u> |
|--------------------|-------------------------|----------------------------------|--|-------------------------|
| Nonspendable -     |                         |                                  |  |                         |
| Prepaid expenses   | \$ 26,110               | Net investment in capital assets |  | \$2,510,436             |
| Restricted -       |                         | Restricted -                     |  |                         |
| Emergencies        | 18,728                  | Emergencies                      |  | 18,728                  |
| Debt service       | 186,006                 | Debt service                     |  | 186,006                 |
| Unassigned         | 100,128                 | Unrestricted                     |  | (1,949,415)             |
| Total Fund Balance | <u>\$ 330,972</u>       | Total Net Position               |  | <u>\$ 765,755</u>       |

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**8. Related Party Agreements**

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**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.

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**9. Risk Management**

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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, 2022. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials' liability, boiler, and other coverage to its members.

**Wildwing Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2022**

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**9. Risk Management (continued)**

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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.

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**10. Tax, Spending and Debt Limitations**

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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.

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, 2022**

|                                       | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|---------------------------------------|--|-------------------|---|
| <b>Revenue:</b>                       |  |                   |   |
| Interest Income                       | \$ -                                     | \$ 812            | \$ 812  |
| Capital Recovery Fees                 | 414,265                                  | 416,620           | 2,355   |
| <b>Total Revenue</b>                  | <u>414,265</u>                           | <u>417,432</u>    | <u>3,167</u>                                    |
| <b>Expenditures:</b>                  |  |                   |   |
| Bond Payment - 2008                   | 432,660                                  | 229,174           | 203,486   |
| Trustee Fees                          | 2,500                                    | 2,500             | -   |
| <b>Total Expenditures</b>             | <u>435,160</u>                           | <u>231,674</u>    | <u>203,486</u>                                  |
| <b>Excess Revenue Over (Under)</b>    |  |                   |   |
| <b>Expenditures</b>                   | <u>(20,895)</u>                          | <u>185,758</u>    | <u>206,653</u>                                  |
| <b>Net change in fund balances</b>    | <u>(20,895)</u>                          | <u>185,758</u>    | <u>206,653</u>                                  |
| <b>Fund Balance—Beginning of year</b> | <u>20,899</u>                            | <u>2,748</u>      | <u>(18,151)</u>                                 |
| <b>Fund Balance—End of Year</b>       | <u>\$ 4</u>                              | <u>\$ 188,506</u> | <u>\$ 188,502</u>                               |