

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

**Financial Statements
December 31, 2023**





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1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

INDEPENDENT AUDITORS' 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, 2023 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 the major funds of Wildwing Metropolitan District No. 1, as of December 31, 2023 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 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.

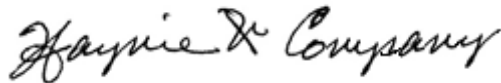
Required Supplementary Information

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wildwing Metropolitan District No. 1's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The 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,



Littleton, Colorado

July 18, 2024

**Wildwing Metropolitan District No. 1
Management's Discussion and Analysis
December 31, 2023**

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, 2023. 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 or acquisition of governmental infrastructure including streets, water, sewer, storm, park and recreation, and transportation and traffic improvements. The District is also responsible for maintenance of the governmental infrastructure unless ownership of the infrastructure was dedicated and conveyed to a municipality or other entity.

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, sewer reserve fund (formerly known as 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 - 17 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 part of the financial statement 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 sewer reserve fund to demonstrate compliance with this budget. The budget statements are found on page 17 of this report.

Financial Highlights

- Liabilities exceeded assets by \$224,906 as of December 31, 2023.
- As of December 31, 2023, the District's governmental funds reported combined ending fund balances of \$173,286. This combined fund balance includes \$154,154 of General Fund balance and \$19,132 of the Sewer Reserve Fund balance.
- Total net position decreased by \$990,661 during the calendar year 2023.
- General fund expenditures totaled \$624,729 during the calendar year 2023. The general fund expenditures are those costs incurred to provide administration of the District and maintenance of District assets.

Government-wide Financial Analysis. The District’s liabilities exceeded assets by \$224,906 as of December 31, 2023. The following table provides a summary of the District’s net position as of December 31, 2023:

Wildwing Metropolitan District No. 1
Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 274,078	\$ 372,972
Capital assets	9,368,773	9,644,325
Total Assets	9,642,851	10,017,297
Liabilities		
Current liabilities	2,897,375	2,117,653
Long-term liabilities	6,970,382	7,133,889
Total Liabilities	9,867,757	9,251,542
Net Assets		
Invested in capital assets	2,398,391	2,510,436
Restricted	19,093	207,234
Unrestricted	(2,642,390)	(1,951,915)
Total Net Position	\$ (224,906)	\$ 765,755

Governmental Activities. Governmental activities decreased the District’s net position by \$990,661. The following table provides a summary of the District’s changes in net position for the year ended December 31, 2023:

Wildwing Metropolitan District No. 1
Statement of Activities

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for Services	622,247	1,038,423
Total Program Revenues	622,247	1,038,423
General Revenues		
Reimbursement	3,182	-
Interest Income	12,079	3,260
Total General Revenues	15,261	3,260
Total Revenues	637,508	1,041,683
Program Expenses		
General Government	(907,239)	(820,506)
Interest on Long-Term Debt	(720,930)	(432,769)
Total Program Expenses	(1,628,169)	(1,253,275)
Change in Net Assets	(990,661)	(211,592)
Net Position, Beginning	765,755	977,347
Net Position, Ending	\$ (224,906)	\$ 765,755

Financial Analysis of the District's Funds

Net Position. As noted earlier, the District's net position decreased by \$990,661.

Property Tax Revenue. The primary source of revenue for the District 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 2023:

District	Assessed Valuation 2023 Collections	Mills Levied	Property Taxes Levied
No. 2	\$ 7,861,782	51.383	\$ 403,962
No. 3	\$ 4,668,608	57.110	\$ 266,624
No. 4	\$ 5,133,874	56.242	\$ 288,739
No. 5	\$ 1,437,114	53.631	\$ 77,074
	\$ 19,101,378		\$ 1,036,399

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 2023, the District amended the budget due to increased repair expense. Additional information on the District's general fund budget can be found on page 6 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total outstanding long-term debt of \$9,766,965. Additional information on the District's long-term debt can be found in note 5 on pages 12-13 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 pages 14-15 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 (Deficit)
December 31, 2023

Assets	Governmental Activities
Cash and investments	\$ 229,151
Accounts receivable	21,074
Prepaid expense	23,853
Capital Assets, net of depreciation	9,368,773
Total assets	\$ 9,642,851
Liabilities	
Accounts payable	\$ 42,627
Prepaid fees	9,989
Accrued Interest	2,796,583
Due to District No. 5	48,176
Non-current liabilities:	
Due in more than one year	6,970,382
Total liabilities	9,867,757
Net Position (Deficit)	
Net investment in capital assets	2,398,391
Restricted for:	
Emergency	19,093
Unrestricted	(2,642,390)
Total Net Position (Deficit)	(224,906)
Total Liabilities and Net Position (Deficit)	\$ 9,642,851

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, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services and other fees</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 907,239	\$ 622,247	\$ -	\$ -	\$ (284,992)
Interest and related costs on long term debt	720,930	-	-	-	(720,930)
	<u>\$ 1,628,169</u>	<u>\$ 622,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,005,922)</u>
General revenues:					
Reimbursement					\$ 3,182
Interest income					12,079
Total general revenues					<u>15,261</u>
Change in net position					(990,661)
Net position - beginning of year					<u>765,755</u>
Net position (deficit) - end of year					<u>\$ (224,906)</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, 2023

	General Fund	Sewer Reserve Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 168,571	\$ 60,580	\$ 229,151
Accounts Receivable	17,346	3,728	21,074
Prepaid expense	20,853	3,000	23,853
Total assets	\$ 206,770	\$ 67,308	\$ 274,078
Liabilities			
Accounts payable	\$ 42,627	\$ -	\$ 42,627
Prepaid fees	9,989	-	9,989
Due to District No.5	-	48,176	48,176
Total liabilities	52,616	48,176	100,792
Fund Balances			
Nonspendable	20,853	3,000	23,853
Restricted:			
Emergencies reserve	19,093	-	19,093
Unassigned	114,208	16,132	130,340
Total Fund Balances	154,154	19,132	173,286
Total Liabilities and Fund Balances	\$ 206,770	\$ 67,308	\$ 274,078

Total governmental fund balance per above \$ 173,286

Amounts reported for governmental activities in the Statement of Net Position are 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. 9,368,773

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 (6,970,382)

Accrued interest - Developer Advances (2,796,583)

Net position (deficit) of governmental activities \$ (224,906)

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

Wildwing Metropolitan District No. 1
Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2023

	<u>General</u>	<u>Sewer Reserve</u>	<u>Total Governmental Funds</u>
Revenues			
Operations and Maintenance Fees	\$ 352,000	\$ -	\$ 352,000
Service fees - District No.2	108,456	-	108,456
Service fees - District No.3	64,519	-	64,519
Service fees - District No.4	69,990	-	69,990
Service fees - District No.5	17,724	-	17,724
Other income	9,558	-	9,558
Interest income	10,989	1,090	12,079
Total General Revenues	<u>633,236</u>	<u>1,090</u>	<u>634,326</u>
Expenditures			
Current			
Accounting and Finance	37,000	-	37,000
Audit/Audit Exemption	17,700	-	17,700
Fee Billing	18,200	-	18,200
District Management	108,500	-	108,500
Engineering	3,400	-	3,400
Constituent communications	4,480	-	4,480
Election	2,458	-	2,458
Insurance	22,493	-	22,493
Legal	51,248	-	51,248
Landscape Maintenance	211,196	-	211,196
Hardscape	27,325	-	27,325
Storm Water Facility	2,040	-	2,040
Repairs and Replacement	103,521	-	103,521
Utilities	10,631	-	10,631
Office, Dues, Newsletters & Other	4,538	-	4,537
Debt service			
Debt Principal	-	163,507	163,507
Bond Interest	-	-	-
Trustee Fees	-	6,957	6,958
Total Expenditures	<u>624,730</u>	<u>170,464</u>	<u>795,194</u>
Excess of revenues over (under) expenditures	8,506	(169,374)	(160,868)
Other financing sources (uses)			
Transfers in	3,182	-	3,182
Total other financing sources (uses)	<u>3,182</u>	<u>-</u>	<u>3,182</u>
Net change in fund balances	11,688	(169,374)	(157,686)
Fund balances:			
Beginning of the year	<u>142,466</u>	<u>188,506</u>	<u>330,972</u>
End of the year	<u>\$ 154,154</u>	<u>\$ 19,132</u>	<u>\$ 173,286</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, 2023

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

Net change in fund balance—total governmental funds	\$ (157,686)
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure; however, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. In addition, in the Statement of Activities, conveyance of assets to other Districts is reported as an expense.

Depreciation	(275,552)
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The payment of long-term debt is reflected as a reduction of the liability in the Statement of Net Position and not as an expense in the Statement of Activities. The Statement of Activities also reports interest expense when incurred while the funds do not report this commitment until paid.

Bond principal payments	163,507
Accrued Interest on Developer Advances - Change in Liability	<u>(720,930)</u>

Change in net position of governmental activities	<u>\$ (990,661)</u>
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The accompanying notes are an integral part of these financial statements.

Wildwing Metropolitan District No. 1
Statement of Revenues, Expenditures
and Changes in Fund Balances—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Operations and Maintenance Fees	\$ 352,000	\$ 352,000	\$ 352,000	\$ -
Service fees - District No.2	108,188	108,919	108,456	(463)
Service fees - District No.3	64,388	64,642	64,519	(123)
Service fees - District No.4	69,733	70,514	69,990	(524)
Service fees - District No.5	18,613	18,699	17,724	(975)
Reimbursements	-	5,000	3,182	(1,818)
Other Income	-	5,000	9,558	4,558
Interest and other income	6,000	17,004	10,989	(6,015)
Total Revenue	<u>618,922</u>	<u>641,778</u>	<u>636,418</u>	<u>(5,360)</u>
Expenditures				
Accounting and Finance	35,000	37,000	37,000	-
Audit/Audit exemption	17,160	17,700	17,700	-
Fee Billings	20,000	20,000	18,200	1,800
District management	110,500	108,500	108,500	-
Constituent communications	3,000	4,527	4,480	47
Election	10,000	2,458	2,458	-
District Engineer	3,000	3,400	3,400	-
Insurance	19,997	22,493	22,493	-
Legal	20,000	52,846	51,248	1,598
Landscape Maintenance	212,878	209,478	211,196	(1,718)
Hardscape	23,250	17,931	27,325	(9,394)
Storm Water Facility	7,000	6,000	2,040	3,960
Sanitary Sewer Facility	1,000	-	-	-
Non-potable Water Facilities	3,000	-	-	-
Amenities	12,000	11,283	-	11,283
Miscellaneous Services	300	255	-	255
Repairs and Replacement	86,596	103,096	103,521	(425)
Utilities	20,470	17,000	10,631	6,369
Trustee Fees	6,000	-	-	-
Office, Dues, Newsletters & Other	7,000	5,000	4,538	462
Total Expenditures	<u>618,151</u>	<u>638,967</u>	<u>624,730</u>	<u>14,237</u>
Excess Revenue Over (Under)				
Expenditures	<u>771</u>	<u>2,811</u>	<u>11,688</u>	<u>8,877</u>
Net change in fund balances	771	2,811	11,688	8,877
Fund Balances—Beginning of year	<u>114,395</u>	<u>142,466</u>	<u>142,466</u>	<u>-</u>
Fund Balances—End of Year	<u>\$ 115,166</u>	<u>\$ 145,277</u>	<u>\$ 154,154</u>	<u>\$ 8,877</u>

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

Wildwing Metropolitan District No. 1

Notes to Financial Statements

December 31, 2023

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") was 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 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, 2023

2. Summary of Significant Accounting Policies (continued)

Governmental Funds

For 2023, 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 Sewer Reserve 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, 2023, 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, 2023, 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, 2023

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 be increased to 60 mills. As of December 31, 2023, 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, 2023

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 and liabilities. The District reports three categories of net position, as follows:

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

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, if applicable.

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, 2023

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, 2023, the District's cash deposits had a carrying and bank balance of \$229,151, which was fully FDIC insured.

5. Long-Term Liabilities

The following is an analysis of changes in long-term liabilities for the year ending December 31, 2023:

	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2023</u>	<u>Due Within One Year</u>
<u>Notes from direct borrowing and</u>					
<u>direct placements:</u>					
Capital advances	\$ 7,133,889	\$ -	\$ (163,507)	\$ 6,970,382	\$ -
Accrued interest - advances	<u>2,075,653</u>	<u>720,930</u>	<u>-</u>	<u>2,796,583</u>	<u>-</u>
Total	<u>\$ 9,209,542</u>	<u>\$ 720,930</u>	<u>\$ (163,507)</u>	<u>\$ 9,766,965</u>	<u>\$ -</u>

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 2023. As of December 31, 2023, the outstanding balance of the Subordinate Note was \$6,970,382.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

5. Long-Term Liabilities (continued)

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, 2023, the effective interest rate was 10.50%. As of December 31, 2023, there was \$2,796,583 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, 2023, 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 as such, are not considered multi-fiscal year debt, 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

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

6. Capital Assets

The changes in the District's capital assets for the year ending December 31, 2023 are as follows:

	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023
Infrastructure	\$ 11,022,086	\$ -	\$ -	\$ 11,022,086
Accumulated depreciation	<u>(1,377,761)</u>	<u>(275,552)</u>	<u>-</u>	<u>(1,653,313)</u>
Capital assets, net	<u>\$ 9,644,325</u>	<u>\$ (275,552)</u>	<u>\$ -</u>	<u>\$ 9,368,773</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, 2023, the District's fund balances and net position consisted of the following:

	Fund Balance		Net Position
Nonspendable -		Net investment in capital assets	\$ 2,398,391
Prepaid expenses	\$ 23,853	Restricted -	
Restricted -		Emergencies	19,093
Emergencies	19,093	Unrestricted	<u>(2,642,390)</u>
Unassigned	<u>130,340</u>	Total Net Position	<u>\$ (224,906)</u>
Total Fund Balance	<u>\$ 173,078</u>		

8. Related Party Agreements

Improvement Acquisition Agreement

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

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

8. Related Party Agreements (continued)

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

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

9. Risk Management

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

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2023. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials' liability, boiler, and other coverage to its members.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

10. Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

Wildwing Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

10. Tax, Spending and Debt Limitations (continued)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

11. Subsequent Event

On May 1, 2024, District No. 5 issued \$16,935,000 General Obligation Limited Tax Refunding and Improvement Series 2024 (2024 Bonds), plus net issue premium of \$13,533. The net proceeds of which were to be applied to the refunding of obligations previously issued to finance the costs of the Public Improvements. This issuance specifically took into consideration the complete resolution of developer advanced debt carried by District No. 1. The Districts and the developer came to the resolution of a \$4,500,000 repayment of developer advances with the remaining \$5,266,965 of principal and interest forgiven as outlined in the Wildwing 2024 Debt Cancellation Agreement. Each Taxing District (including the Issuing District) agrees in the Pledge Agreement to pay such portion of the financing costs as may be funded with the pledged revenue available to it, in accordance with the provisions of the Pledge Agreement.

Interest on the 2024 Bonds is payable semiannually on June 1 and December 1 each year commencing on December 1, 2024. The payment of principal on the 2024 Bonds is due on December 1 each year commencing on December 1, 2024 and the 2024 Bonds mature on December 1, 2034. The current interest rate on the 2023 Bonds is 5.0% per annum through the bond maturity on December 1, 2034.

Supplementary Information

Wildwing Metropolitan District No. 1
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Sewer Reserve Fund
For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Interest and Other Income	\$ -	\$ 4,069	\$ 1,090	\$ (4,069)
Capital Recovery Fees	-	-	-	-
Total Revenues	<u>-</u>	<u>4,069</u>	<u>1,090</u>	<u>(4,069)</u>
Expenditures				
Developer Repayment	-	163,507	163,507	-
Trustee Fees	-	6,958	6,957	1
Total Expenditures	<u>-</u>	<u>170,465</u>	<u>170,464</u>	<u>1</u>
Excess Revenue Over (Under)				
Expenditures	<u>-</u>	<u>(166,396)</u>	<u>(169,374)</u>	<u>(2,978)</u>
Net change in fund balances	<u>-</u>	<u>(166,396)</u>	<u>(169,374)</u>	<u>(2,978)</u>
Fund Balance—Beginning of year	<u>208,587</u>	<u>208,587</u>	<u>188,506</u>	<u>(20,081)</u>
Fund Balance—End of Year	<u>\$ 208,587</u>	<u>\$ 42,191</u>	<u>\$ 19,132</u>	<u>\$ (23,059)</u>