

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wyndham Hill Metropolitan District No. 2
Frederick, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Wyndham Hill Metropolitan District No. 2, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Wyndham Hill Metropolitan District No. 2 as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 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.

Management omitted the management's discussion and analysis that accounting principals generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
April 22, 2021

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash	\$ 100,359
Restricted Investments	17,705
Accounts Receivable	2,313
Property Taxes Receivable	1,340,439
Due from Other Governments	4,922
Prepaid Expenses	267,430
Construction in Progress	125,000
Total Assets	1,858,168
LIABILITIES	
Due Within the Year:	
Accounts Payable	2,947
Accrued Interest	136,874
Limited Tax Obligation Notes	195,000
Due in More Than One Year	
Senior Limited Tax Obligation Bonds	19,575,000
Subordinate Limited Tax Obligation Bonds	9,600,000
Bond Premium	336,507
Accrued Interest	155,154
Subordinate Limited Tax Revenue Notes	3,419,684
Total Liabilities	33,421,166
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,340,439
Total Deferred Inflows of Resources	1,340,439
NET POSITION	
Restricted for TABOR	11,394
Unrestricted	(32,914,831)
Total Net Position	\$ (32,903,437)

See accompanying Notes to Financial Statements.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
General Government	\$ 506,336	\$ -	\$ (506,336)
Interest and Related Costs on Long-Term Debt	2,279,709	-	(2,279,709)
	\$ 2,786,045	\$ -	(2,786,045)
General Revenues:			
			1,349,906
			64,150
			1,591
			41,840
			2,237
			1,459,724
			(1,326,321)
			(31,577,116)
			\$ (32,903,437)

See accompanying Notes to Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2020**

	General Fund
ASSETS	
Cash	\$ 100,359
Restricted Investments	17,705
Accounts Receivable	2,313
Property Tax Receivable	1,340,439
Due from Other Governments	4,922
Prepaid Items	6,139
Total Assets	\$ 1,471,877
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 2,947
Total Liabilities	2,947
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,340,439
Total Deferred Inflows of Resources	1,340,439
FUND BALANCE	
Nonspendable	6,139
Restricted for:	
TABOR	11,394
Debt Service	17,705
Unassigned	93,253
Total Fund Balance	128,491
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,471,877

See accompanying Notes to Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balance - Total Governmental Fund	\$	128,491
Amounts reported for governmental activities in the statement of net position are different because:		
Prepaid municipal bond insurance is recognized as an asset for governmental activities that is amortized over the life of the related debt.		261,291
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet.		
Capital Assets, Not Being Depreciated		125,000
Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.		
Senior Limited Tax Obligation Bonds		(19,770,000)
Subordinate Limited Tax Obligation Bonds		(9,600,000)
Bond Premium		(336,507)
Subordinate Limited Tax Revenue Notes		(3,419,684)
Accrued Interest		(292,028)
		<u>(33,418,219)</u>
Net Position of Governmental Activities	\$	<u>(32,903,437)</u>

See accompanying Notes to Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2020**

	<u>General Fund</u>
REVENUES	
Property Tax Income	\$ 1,349,906
Specific Ownership Taxes	64,150
Other Income Tax	1,591
Royalties	41,840
Net Investment Income	2,237
Total Revenues	<u>1,459,724</u>
EXPENDITURES	
Current:	
Audit	10,605
Accounting	7,172
Treasurer's Fee	20,288
Insurance	273,148
Legal	18,706
Miscellaneous	1,417
Intergovernmental Payment to District No. 1	175,000
Capital Outlay	125,000
Debt Service:	
Principal	28,164,413
Interest and Fiscal Charges	2,044,763
Loan Origination Fees	711,904
Custodial Fees	12,450
Total Expenditures	<u>31,564,866</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	(30,105,142)
OTHER FINANCING SOURCES	
Proceeds from Debt Instrument	29,745,000
Bond Premium	347,326
Total Other Financing Sources	<u>30,092,326</u>
NET CHANGES IN FUND BALANCE	(12,816)
Fund Balance - Beginning of Year	<u>141,307</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 128,491</u></u>

See accompanying Notes to Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balance - Total Governmental Fund	\$ (12,816)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental fund reports capital outlays as expenditures. However, for government activities, those capital outlays other than noncapitalizable items are shown in the statement of net position at cost.</p>	
Capital Outlay	125,000
<p>The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Proceeds from Debt Instrument	(29,745,000)
Bond Premium	(347,326)
Payment of Principal	28,164,413
<p>Governmental fund reports prepaid municipal bond insurance as expenditures. However, for government activities, the prepaid municipal bond insurance is shown in the statement of net position as a prepaid expense.</p>	
	270,301
<p>The prepaid municipal bond insurance costs are amortized over the life of the bonds. Current year amortization of the prepaid municipal bond insurance of \$9,010 is reported as an expense on the statement of activities.</p>	
	(9,010)
<p>A decrease in accrued interest does not have any impact on governmental fund expenditures. This transaction, however, does decrease the amount of interest expense on the statement of activities.</p>	
Accrued Interest	217,298
<p>The premium on the issuance of bonds is amortized over the life of the bonds. Current year amortization of the premium on bonds of \$10,819 is reported as a reduction of interest expense on the statement of activities.</p>	
	<u>10,819</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,326,321)</u></u>

See accompanying Notes to Financial Statements.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Wyndham Hill Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court in Weld County on May 26, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan with Wyndham Hill Metropolitan District No. 1 (District No. 1) and Wyndham Hill Metropolitan District No. 3 (District No. 3) approved by the Town of Frederick on February 13, 2004 as amended on August 11, 2005, October 12, 2006, February 14, 2008, and April 9, 2020. Pursuant to the Service Plan, the District and District No. 3, the financing districts, are intended to provide funding to District No. 1, the operating district, for construction, operation and maintenance of the public improvements, while District No. 1 is intended to manage the financial, construction and operation and maintenance of such improvements.

The District was established to provide financing for the design, acquisition, construction, and completion of public improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, water, mosquito and pest control and sanitation facilities, generally located in the collector roadway system, services and programs. District No. 1 contracts with the Wyndham Hill Master Association, Inc. for the maintenance of park and recreation facilities including a District No. 1 operated pool and community building. The operation and maintenance of all other services and facilities is anticipated to be provided by other entities and not by the District.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 1, District No. 3 and the Town of Frederick.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial resources of the District. The difference between the assets, liabilities and deferred outflows and inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Increases in bonds payable are recorded as an increase in liabilities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major revenue source susceptible to accrual is property taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Budgets

In accordance with the State Budget Law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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 appropriation can only be modified upon completion of notification and publication requirements. The adopted budgets for the General Fund and Debt Service fund have been consolidated and reflected as the General Fund Budget for financial reporting purposes.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District's board of directors. The levy is based on 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 instalments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally, sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Fund Balance and Net Position

Net position is reported in the governmental activities and is classified as restricted or unrestricted. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. As of December 31, 2020, fund balances of governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. This includes amounts that are not expected to be converted to cash, for example, prepaid amounts.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District's General Fund and could report a surplus or deficit.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. In compliance with this requirement, \$11,394 of the General Fund balance has been restricted.

Nonspendable fund balance of \$6,139 is equal to the amount of prepaid insurance for the District that will benefit a future period.

The District has a balance of \$17,739 which is restricted to meet contractual commitments under debt obligations (see Note 4) and intergovernmental agreements (see Notes 5 and 6).

The District's order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 consist of the following:

Cash Deposits	\$ 100,359
Investments	17,705
Total Cash	<u>\$ 118,064</u>

Cash Deposits

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 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.

At December 31, 2020, the District's cash deposits had a carrying balance of \$100,359.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and World Bank securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds*
- Guaranteed investment contracts
- Local government investment pools
- Certain reverse repurchase agreements
- Certain corporate bonds
- Certain securities lending agreements

Colorado revised statutes limit investment maturities to five years or less depending on the specific investment held unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local government, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amortized Cost</u>
*Money Market Fund - CSAFE Fund	Less than One Year	<u>\$ 17,705</u>

As of December 31, 2020, the District had \$17,705 invested in Colorado Surplus Asset Fund (CSAFE Fund) Money Market Funds. The investment is rated AAAM by Standard & Poor's and is valued at amortized cost because the investment instruments within the accounts are money market funds which are valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS

The District's long-term obligations consist of the following for the year ended December 31, 2020:

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
General Obligation Limited					
Tax Bonds - Series 2015	\$ 8,230,000	\$ -	\$ 8,230,000	\$ -	\$ -
Tax Bonds - Series 2020A	-	20,070,000	300,000	19,770,000	195,000
Tax Bonds - Series 2020B	-	9,600,000	-	9,600,000	-
Tax Bonds - Series 2020 Premium	-	347,326	10,819	336,507	-
Accrued Interest - Series 2020B	-	155,154	-	155,154	-
General Obligation Limited					
Tax Notes - Series 2016	13,317,657	-	13,317,657	-	-
Tax Notes - Series 2019	2,693,989	-	2,693,989	-	-
Subordinate Limited Tax					
Revenue Notes - Series 2018B	6,967,451	75,000	3,622,767	3,419,684	-
Total Long-Term Obligations	<u>\$ 31,209,097</u>	<u>\$ 30,247,480</u>	<u>\$ 28,175,232</u>	<u>\$ 33,281,345</u>	<u>\$ 195,000</u>

Series 2015 Bonds

The District issued the 2015 Subordinate Limited Tax General Obligation Bonds on May 1, 2015, in the amount of \$8,230,000. The proceeds of such debt was used for issuance costs and to repay the developer advances incurred by District No. 1 to fund the cost of public infrastructure improvements. Bond interest is payable annually on December 15, with the principal due at maturity on December 15, 2054. The interest rate was 8.5% and interest was computed on the basis of a 360-day year of twelve 30-day months.

The 2015 Subordinate Bonds were secured by and payable from Subordinate Pledged Revenue, which included the residual property taxes derived from the Required Mill Levy, net of the cost of collection, specific ownership taxes allocable to the Required Mill Levy, Development Fees and any other legally available moneys of the District after payment of senior debt obligations. The Required Mill Levy is defined in the Trust Indenture as a mill levy imposed upon all taxable property of the District each year.

In May of 2020, the District issued Senior and Subordinate Limited Tax Bonds Series 2020A and 2020B. The bond proceeds were used to pay off the remaining principal balance of \$8,230,000 and \$478,028 of interest. The District incurred \$242,899 of interest expense on the Series 2015 Bonds for the year ended December 31, 2020.

Series 2016 Note

The District issued the 2016A Limited Tax Obligation Note on June 10, 2016 for an amount not to exceed \$10,000,000 with the ability to draw on the Note through June 10, 2019. On August 18, 2016, the District executed a second agreement, 2016B Limited Tax Obligation Note, under the same terms as 2016A for an amount not to exceed \$4,000,000.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2016 Note (Continued)

The proceeds of such debt were used to refund all of the amounts due on the District's General Obligation Limited Tax Bonds, Series 2005; refunding of certain amounts on District No. 1's advances received from Developer; refunding of certain amounts due on District No. 1's outstanding Subordinate Bond Anticipation Note, Series 2005A; refunding of certain amounts due on the District's outstanding Subordinate Limited Tax Obligation Note, Series 2015; and the payment of costs of issuance of the 2016 Note. The District does not have optional prepayment of principal through the second anniversary of the date of the Note. A prepayment fee of 1% will be added to the principal balance if prepayment occurs after the second anniversary date but before the third anniversary date. No prepayment fee is incurred if prepayment occurs after the third anniversary date and before the fifth anniversary date of the Note. On May 25, 2021, and each five year anniversary until the maturity date, the interest rate will reset to the Bank Qualified Tax-Exempt Rate on the reset date. Interest payments are due on June 1 and December 1 of each year. The District was subject to non-use fees in the amount of 0.25% of the unfunded portion of the maximum advance amount computed on the basis of a 360-day year and actual days elapsed beginning on the commencement date of the Initial Advance stated below.

In May of 2020, the District issued Senior and Subordinate Limited Tax Bonds Series 2020A and 2020B. The bond proceeds were used to pay off the remaining principal balance of \$13,317,657 and \$232,575 of interest. The District incurred \$187,851 of interest expense on the Series 2016 Note for the year ended December 31, 2020.

Series 2018B Note

The District issued the 2018B Subordinate Limited Tax Revenue Note on December 4, 2018 for an amount not to exceed \$10,000,000 with the ability to draw on the Note as needed. Draws are to be issued to the Developer, a related party (see Note 5), for amounts advanced to the District by the Developer for capital projects of District No.1. Interest payments are due annually on December 15 at a rate of 7.76% computed on the basis of a 360-day year with the principal due at maturity on December 1, 2048. On April 23, 2020, the Developer agreed to reduce the interest rate on the Note from 8% to 7.76%. The repayment of the Note will be subordinate to any outstanding senior debt. During 2020, the District drew down \$75,000 and made principal payments of \$3,622,767. The District made \$513,460 of interest payments in 2020 and incurred \$368,421 in interest expense for the year ended December 31, 2020.

Each draw is subject to the terms as noted above. Below is a summary of each draw made through December 31, 2020:

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020
Series 2018B	\$ 6,967,451	\$ 75,000	\$ 3,622,767	\$ 3,419,684

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

The following summarizes the debt service requirements to maturity for the 2018B Note:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 265,367	\$ 265,367
2022	-	265,367	265,367
2023	-	265,367	265,367
2024	-	265,367	265,367
2025	-	265,367	265,367
2026-2030	-	1,326,837	1,326,837
2031-2035	-	1,326,837	1,326,837
2036-2040	-	1,326,837	1,326,837
2041-2045	-	1,326,837	1,326,837
2046-2048	3,419,684	773,988	4,193,672
Total	<u>\$ 3,419,684</u>	<u>\$ 7,408,175</u>	<u>\$ 10,827,859</u>

Series 2019A Note

The District issued the 2019A Limited Tax Obligation Note on February 8, 2019 for an amount not to exceed \$10,000,000. The proceeds of this debt was used for the purpose of (i) refunding on a current basis certain amounts due on Wyndham Hill Metropolitan District No. 1's outstanding Subordinate Bond Anticipation Note, Series 2005A (the "Series 2005A Subordinate Note"), (ii) refunding on a current refunding basis certain amounts due on the District's Series 2015 Subordinate Note; and (iii) paying the costs of issuance of the 2019A Loan. The Loan shall not be subject to optional prepayment by the District prior to June 10, 2019. Additionally, for the first two years after each Rate Reset Date, the Loan was not subject to optional prepayment by the District. The District may prepay the Loan commencing on the 2nd anniversary of each Rate Reset Date and any day thereafter until the next Reset Date upon payment of principal of par plus 1% of the outstanding principal balance of the Loan. upon each Rate Reset Date. All Advances under the 2019A Loan shall bear interest for the ensuing five-year period at the Bank Qualified Tax-Exempt Rate as determined by the Bank on such Rate Reset Date. The District was subject to non-use fees in the amount of 0.25% of the unfunded portion of the maximum advance amount computed on the basis of a 360-day year and actual days elapsed beginning on the commencement date of the Initial Advance stated below. The District did not incur non-use fees on the unfunded balance for the year ended December 31, 2020.

In May of 2020, the District issued Senior and Subordinate Limited Tax Bonds Series 2020A and 2020B. The bond proceeds were used to pay off the remaining principal balance of \$2,693,989 and \$50,359 of interest. The District incurred \$40,674 of interest expense on the Series 2016 Note for the year ended December 31, 2020.

Series 2020A and 2020B Senior and Subordinate General Obligation Limited Tax Bonds

On May 5, 2020 the District issued \$20,070,000 of senior and \$9,600,000 of subordinate general obligation limited tax bonds. The bonds were issued for the purpose of paying and discharging the outstanding Series 2015 Bonds, Series 2016A, 2016B & 2019A Notes, repaying a portion of the District's outstanding Subordinate Note Series 2018B, funding a debt service reserve fund, and paying costs of issuance in connection with the bonds.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2020A and 2020B Senior and Subordinate General Obligation Limited Tax Bonds

The Series 2020A Senior Bonds bear a coupon interest rate of 3.125% to 5% per annum which is payable semi-annually on June 1 and December 1, commencing on December 1, 2020, and on the maturity dates of the Series 2020A Senior Bonds, subject to optional and mandatory sinking fund redemption prior to maturity. The Series 2020A Senior Bonds will mature on December 1, 2049. The Series 2020A Senior Bonds will constitute limited tax general obligations of the District payable solely from the Senior Pledged Revenue and certain District Funds and accounts established by the Senior Pledged Revenue, which consists primarily of the revenues derived from a District property tax levy of not more than 51 mills (subject to adjustment as described herein), and the portion of the specific ownership taxes on motor vehicles imposed by the State of Colorado. The Series 2020A Senior Bonds will constitute an irrevocable, but nonexclusive, first lien on the Senior Pledged Revenue and the amounts in such funds and accounts. The District made \$445,629 of interest payments in 2020 and incurred \$509,276 in interest expense for the year ended December 31, 2020 for these bonds.

The Series 2020B Subordinate Bonds bear a coupon interest rate of 7.625% per annum which is payable annually on December 15, commencing December 15, 2020. The 2020B Subordinate Bonds mature on December 15, 2049. The 2020B Subordinate Bonds will also constitute limited tax general obligations of the District payable solely from and to the extent of Subordinate Pledged Revenue and certain District Funds and accounts established by the Subordinate Pledged Revenue, which consists primarily of the revenues derived from a District property tax levy of not more than 51 mills (subject to adjustment as derived herein), and the portion of the specific ownership taxes on motor vehicles imposed by the State of Colorado.

The Series 2020B Subordinate Bonds are structured as “cash flow” bonds. There are no scheduled payments of principal of the Series 2020B Subordinate Bonds prior to their maturity date, but rather the Subordinate Bonds are subject to mandatory redemption on each December 15 prior to maturity from and to the extent of any available Subordinate Pledged Revenues. All Series 2020B Subordinate Bonds and interest thereon will be deemed to be paid, satisfied, and discharged on December 16, 2049, regardless of the amount of principal and interest paid on the Series 2020B Subordinate Bonds prior to such date. The District made \$324,712 of interest payments in 2020 and incurred \$479,866 in interest expense for the year ended December 31, 2020 for these bonds.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

The 2020A Senior Limited Tax General Obligation Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 195,000	\$ 763,767	\$ 958,767
2022	270,000	754,019	1,024,019
2023	280,000	740,519	1,020,519
2024	315,000	726,519	1,041,519
2025	330,000	710,769	1,040,769
2026-2030	2,125,000	3,278,595	5,403,595
2031-2035	2,890,000	2,780,395	5,670,395
2036-2040	3,780,000	2,186,301	5,966,301
2041-2045	4,800,000	1,459,375	6,259,375
2046-2049	4,785,000	460,100	5,245,100
Total	<u>\$ 19,770,000</u>	<u>\$ 13,860,359</u>	<u>\$ 33,630,359</u>

2020B Subordinate General Obligation Limited Tax Bonds

The annual debt service requirements on the 2020B Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

Authorization

The District has been authorized to issue debt and the principal amount not to exceed \$140,100,000 as voted on in November 2004. The voted authorization has been limited by the service plan approved by the Town of Frederick. During November 2005, District voters authorized up to \$406,000,000 of debt principal. The service plan limits the total new money revenue and general obligation debt of the District and District No. 1 and District No. 3 to \$36,000,000. At December 31, 2020, the District had remaining authorized but unissued indebtedness of \$513,310,298.

NOTE 5 CONSTRUCTION IN PROGRESS

An analysis of the changes in construction in progress for the year ended December 31, 2020 follows:

	<u>Balance at January 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2020</u>
Construction in Progress	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 CONSTRUCTION IN PROGRESS (CONTINUED)

On December 20, 2019, Wyndham Hill Metropolitan District No. 2 entered into a Relinquishment of Surface Rights Agreement with K.P. Kauffman Company, Inc. regarding specific oil and gas sites operated by KPK. The total consideration to be paid to KPK by the District for KPK's relinquishment, extinguishment or restriction of its Surface Rights in "Section 33", Township 2 North, Range 68 West of the PM, County of Weld, State of Colorado) is \$150,000. At the initial closing on January 29, 2020, the District paid \$75,000 of the consideration as a partial payment. Part of the remaining balance, \$50,000, was paid to KPK on September 11, 2020. The remaining \$25,000 will be disbursed at a future date when the process of plugging and abandoning the well is fully completed. The flowline has been temporarily abandoned in place until such time that it is removed during excavation activities. The \$125,000 paid to KPK for surface rights was recorded as an addition to Construction in Progress and will be reclassified to land upon completion of the real property transfer to the District.

NOTE 6 RELATED PARTY

Two of the five members of the board of directors are employees or are associated with Bellock Construction Company, the Construction Manager and accountants for the District, and Frederick Development Company, Inc., the Developer within the District. Prior to May 2020, District No. 1, the District, and District No. 3 had the same board of directors. During the May 2020 Director elections, the District elected a separate board of directors from District No. 1 and District No. 3.

Construction Management Agreement

A construction management agreement was entered into during 2005 between District No. 1 and Bellock Construction Company. The agreement calls for Bellock Construction Company to provide management services of all activities related to construction projects to be completed within Wyndham Hill Metropolitan Districts No. 1, No. 2 and No. 3. The agreement expires on December 31 of each year, but is automatically extended for a successive annual period so long as sufficient funds have been appropriated, unless contrary action is taken.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company on March 10, 2005. Under this agreement, accounting services are provided to District No. 1, No. 2 and No. 3 at the hourly annual rates of Bellock Construction Company employees. During 2020, the District incurred \$7,172 in accounting services fees.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT (SERVICE CONTRACT) AND OTHER AGREEMENTS

In order to implement the Service Plan, the District entered into an intergovernmental agreement with District No. 1 and District No. 3. The agreement shall remain in full force and effect until such time as each of the terms and conditions has been performed in their entirety or until the agreement is terminated by mutual written agreement of the Districts.

District No. 1 is to construct the facilities benefiting the three Districts and transfer them to the Town of Frederick or the HOA as required. The District and District No. 3 will, to the extent that they benefit, pay the capital costs and the service costs of operation and maintenance of such facilities (authorized service costs).

On April 23, 2020, the Districts terminated the intergovernmental agreement and entered into separate agreements to address the Districts' financing of facilities and their ongoing administrative, operational, and maintenance needs. The Districts entered into the District Coordinating Services Agreement on April 23, 2020, effective for District No. 1, the District, District No. 3, and District No. 4. District No. 1, the coordinating District, will own, operate and maintain all public improvements within the boundaries of the Districts that are not otherwise dedicated or conveyed to the Town, the County or other public entity or owners' association. The financing Districts, including the District, District No. 3, and District No. 4, are responsible for all costs incurred by the District No. 1 in providing administrative and operation and maintenance services

The District is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the Districts disagree as to the amount to be paid, then the District must pay District No. 1 the amount set forth in the annual budget. During fiscal year 2017, the Colorado legislature reduced the residential assessment ratio from 7.96% to 7.20% causing the property tax mill rate for general obligation bonds and service costs to increase from 50 mills to 55.275 mills. The assessed ratio decreased to 7.15% increasing mills to 55.663 for property taxes to be collected in 2020. During fiscal year 2020, the Gallagher Amendment was repealed. The residential assessment ratio will remain at 7.15%.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded insurance coverage in the past three years.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability and public official's liability. 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 which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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.

On November 2, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

NOTE 10 INTERGOVERNMENTAL REVENUES AND EXPENDITURES

The following intergovernmental revenue and expenses occurred during fiscal year ended December 31, 2020:

	Wyndham Hill Metropolitan District No. 1	Wyndham Hill Metropolitan District No. 2	Wyndham Hill Metropolitan District No. 3	Total Revenues
Wyndham Hill Metropolitan:				
District No. 1	\$ -	\$ 175,000	\$ 58,000	\$ 233,000
District No. 3	9,605	-	-	9,605
District No. 4	24	-	-	24
Total Expenditures	<u>\$ 9,629</u>	<u>\$ 175,000</u>	<u>\$ 58,000</u>	<u>\$ 242,629</u>

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 NET POSITION

The District has net position consisting of two components - Restricted and unrestricted.

Restricted net position includes net position that is restricted for use either by externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District had a deficit net position at December 31, 2020 of \$32,903,437. This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements, which are recorded as an asset with District No. 1.

REQUIRED SUPPLEMENTARY INFORMATION

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 1,351,494	\$ 1,351,497	1,349,906	\$ (1,591)
Specific Ownership Taxes	91,226	64,150	64,150	-
Other Tax Income	-	-	1,591	1,591
Royalties	-	41,840	41,840	-
Net Investment Income	-	2,237	2,237	-
Total Revenues	<u>1,442,720</u>	<u>1,459,724</u>	<u>1,459,724</u>	<u>-</u>
EXPENDITURES				
Current:				
Audit	10,500	10,605	10,605	-
Treasurer's Fee	20,272	20,288	20,288	-
Accounting	-	7,172	7,172	-
Insurance	3,250	273,148	273,148	-
Legal	-	18,706	18,706	-
Miscellaneous	10,000	1,417	1,417	-
Intergovernmental Payment:				
District No. 1	126,902	175,000	175,000	-
Capital Outlay	-	125,000	125,000	-
Debt Service				
Principal	757,024	28,164,413	28,164,413	-
Interest	1,613,877	2,044,763	2,044,763	-
Loan Origination Fees	-	711,904	711,904	-
Custodial Fees	-	12,450	12,450	-
Total Expenditures	<u>2,541,825</u>	<u>31,564,866</u>	<u>31,564,866</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,099,105)	(30,105,142)	(30,105,142)	-
OTHER FINANCING SOURCES				
Proceeds from Debt Instrument	8,715,000	30,094,957	29,745,000	(349,957)
Bond Premium	-	-	347,326	347,326
Total Other Financing Sources	<u>8,715,000</u>	<u>30,094,957</u>	<u>30,092,326</u>	<u>(2,631)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	7,615,895	(10,185)	(12,816)	(2,631)
Fund Balances - Beginning of Year	<u>128,249</u>	<u>128,249</u>	<u>141,307</u>	<u>13,058</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 7,744,144</u></u>	<u><u>\$ 118,064</u></u>	<u><u>\$ 128,491</u></u>	<u><u>\$ 10,427</u></u>