

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2016**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>8</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>9</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET</b>	<b>10</b>
<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL         FUND TO THE STATEMENT OF NET POSITION</b>	<b>11</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCE – GOVERNMENTAL FUND</b>	<b>12</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE         STATEMENT OF ACTIVITIES</b>	<b>13</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>14</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCE – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>27</b>



## 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, 2016, 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, 2016, 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 management's discussion and analysis and the budgetary comparison information on pages 3-7 and page 27 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.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
March 06, 2017

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities. The Management's Discussion and Analysis (MD & A) should be read in conjunction with the District's financial statements.

**Financial Highlights**

- The net position of the District decreased by \$4,261,286 in 2016, to \$(16,253,515). An overall net deficit is typical in a metropolitan district like District No. 2, which retains the related debt in the District until it is paid off and the assets are held by District No. 1.
- Actual expenditures were less than budgeted expenditures by \$5,003.
- The District has one bond issue outstanding, Series 2015 Subordinate Limited Tax General Obligation Bonds, scheduled to be fully retired in 2054. The District also issued a Limited Tax General Obligation Note in 2016 totaling \$7,862,922, scheduled to be fully retired in 2046.
- The District has no tangible capital assets.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 8-25 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplementary information.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader of the District's basic financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, liabilities and deferred outflows and inflows of resources. The difference between assets, liabilities and deferred outflows and inflow of resources is reported as net position. Over time, changes 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 net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

The government-wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund. The government-wide financial statements can be found on pages 8-9.

**Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special objectives. The District uses governmental funds to account for its activity.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliations are provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

All of the District's activities are reported in a single governmental fund, the general fund, which focuses on how money flows into and out of that fund and the balance left at year-end available for spending in future periods.

The District adopts an annual budget for the governmental fund. A budgetary comparison schedule for the general fund is included in the required supplementary information.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 14-25 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the District's budgetary comparisons. Required supplementary information can be found on page 27 of this report.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**Government-wide Financial Analysis**

**Government-wide Net Position**

The assets of the District are classified as current assets. Cash and investments and receivables are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are property taxes receivable.

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and accrued interest. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2017.

Total assets increased by \$391,378 primarily due to an increase in property tax receivable of \$340,482.

Deferred inflows of resources related to property tax revenue increased by \$340,482 due to an increase in property taxes receivable in 2016. The increase in the property tax receivable is due to an increase in assessed valuation within the District during fiscal year 2016.

There was an increase of \$4,617,922 noncurrent liabilities due primarily to the issuance of new debt in 2016.

The liabilities and deferred inflows of resources of the primary government activities exceed assets by \$16,253,515, with an unrestricted net position of \$(16,292,446).

**Government-wide Total Assets as compared to Total Liabilities,  
Deferred Inflows of Resources and Total Net Position:**

	Net Position	
	2016	2015
Assets:		
Current	\$ 989,087	\$ 597,709
Total Assets	<u>989,087</u>	<u>597,709</u>
Liabilities:		
Current	241,160	546,901
Noncurrent	16,092,922	11,475,000
Total Liabilities	<u>16,334,082</u>	<u>12,021,901</u>
Deferred Inflows of Resources		
Property Tax Revenue	908,520	568,037
Total Deferred Inflows of Resources	<u>908,520</u>	<u>568,037</u>
Net Position:		
Restricted	38,931	4,419
Unrestricted	(16,292,446)	(11,996,648)
Total Net Position	<u>\$ (16,253,515)</u>	<u>\$ (11,992,229)</u>

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**Government-wide Activities**

Government activities decreased the net position of the District by \$4,261,286. The details of this decrease are shown in the following schedule:

**The District's Changes in Net Position**

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenue:		
Charges for Services	\$ 27,200	\$ 41,600
General Revenue:		
Property Taxes	2,131,746	355,047
Specific Ownership Taxes	32,333	26,575
Royalties	284	593
Miscellaneous Income	398	404
Investment Income	1,325	396
Total Revenue	2,193,286	424,615
Expenses:		
Governmental Activities:		
General Government	5,293,939	8,381,544
Interest and Other Fiscal Charges	1,160,633	677,592
Total Expense	6,454,572	9,059,136
Total Change in Net Position	(4,261,286)	(8,634,521)
Net Position - Beginning of Year	(11,992,229)	(3,357,708)
Net Position - End of Year	\$ (16,253,515)	\$ (11,992,229)

Key elements of the decrease in net position for governmental activities are as follows:

- The District issued \$7,862,922 in new debt in 2016. A portion of this new debt was used to pay the principal balance and accrued interest on the Series 2005A General Obligation Limited Tax Bonds as well as accrued interest on the Series 2015 Bonds. The remaining proceeds were transferred to District No. 1.
- Interest and other fiscal charges increased \$483,041, primarily from the new subordinate debt issuance in 2016.

Business-type activities are comprised of services that would be provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District does not have any business-type activities.



**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**Financial Analysis of the District's Governmental Fund**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District's activity is reported in a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine where there are more or fewer financial resources that can be spent in the near future. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's one governmental fund, the general fund, reported an ending fund balance of \$80,545.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Actual expenditures of the general fund amounted to \$10,005,335. Fund balance represents 0.81% percent of expenditures.

**General Fund Budgetary Highlights**

The fund balance for the general fund increased by \$50,873, resulting in an ending fund balance of \$80,545. Actual expenditures were less than budgeted expenditures by \$5,003. During fiscal year 2016, the board of directors approved a supplemental appropriation of \$1,425,450 primarily to transfer more funds to District No. 1.

**Economic Factors and Next Year's Budgets and Rates**

The assessed valuation of property in the District increased by \$6,809,650 or 59.9% in 2016, which will increase the tax revenue for 2017. Continued construction of new homes are anticipated and would further increase the assessed value of the District.

***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 the District. Questions concerning any of the information provided in this report or requests for additional information shall be addressed to:

Wyndham Hill Metropolitan District No. 2  
Mr. Steve Rane  
2500 Arapahoe, Suite 220  
Boulder, Colorado 80302

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 72,173
Property Taxes Receivable	908,519
Due from Other Governments	2,663
Prepaid Expenses	5,732
Total Assets	989,087
<b>LIABILITIES</b>	
Accounts Payable	22
Accrued Interest and Non-Use Fees	241,138
Noncurrent Liabilities:	
Due in More Than One Year	16,092,922
Total Liabilities	16,334,082
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	908,520
Total Deferred Inflows of Resources	908,520
<b>NET POSITION</b>	
Restricted for TABOR	38,931
Unrestricted	(16,292,446)
Total Net Position	\$ (16,253,515)

See accompanying Notes to Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u>
<b>Governmental Activities:</b>			
General Government	\$ 5,293,939	\$ 27,200	\$ (5,266,739)
Interest and Related Costs on Long-Term Debt	1,160,633	-	(1,160,633)
	\$ 6,454,572	\$ 27,200	(6,427,372)
<b>General Revenues:</b>			
			2,131,746
			32,333
			284
			398
			1,325
			2,166,086
			<b>Change in Net Position</b> (4,261,286)
			Net Position - Beginning of Year (11,992,229)
			<b>Net Position - End of Year</b> \$ (16,253,515)

See accompanying Notes to Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2016**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 72,173
Property Tax Receivable	908,519
Due from Other Governments	2,663
Prepaid Items	<u>5,732</u>
Total Assets	<u><u>\$ 989,087</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	<u>\$ 22</u>
Total Liabilities	22
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>908,520</u>
Total Deferred Inflows of Resources	908,520
<b>FUND BALANCE</b>	
Nonspendable	5,732
Restricted for:	
TABOR	38,931
Debt Service	<u>35,882</u>
Total Fund Balance	<u>80,545</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 989,087</u></u>

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, 2016**

Total Fund Balance - Total Governmental Fund	\$	80,545
--	----	--------

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

Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.

Bonds Payable		(16,092,922)
Accrued Interest and Non-Use Fees		(241,138)
		<u>(16,334,060)</u>

Net Position of Governmental Activities		<u>\$ (16,253,515)</u>
---	--	------------------------

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>
<b>REVENUES</b>	
Property Tax Income	\$ 2,131,746
Specific Ownership Taxes	32,333
Facilities Fees	27,200
Royalties	284
Miscellaneous Income	398
Net Investment Income	1,325
Total Revenues	<u>2,193,286</u>
<b>EXPENDITURES</b>	
Current:	
Audit	9,125
Treasurer's Fee	31,987
Trustee Fees	1,971
Insurance	3,030
Miscellaneous	457
Intergovernmental Payment to District No. 1	5,247,369
Debt Service:	
Principal	3,310,000
Interest and Fiscal Charges	1,205,271
Loan Origination Fee	196,125
Total Expenditures	<u>10,005,335</u>
<b>(DEFICIENCY) OF REVENUE UNDER EXPENDITURES</b>	(7,812,049)
<b>OTHER FINANCING SOURCES</b>	
Bond Proceeds	<u>7,862,922</u>
Total Other Financing Sources	<u>7,862,922</u>
<b>NET CHANGES IN FUND BALANCE</b>	50,873
Fund Balance - Beginning of Year	<u>29,672</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 80,545</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, 2016**

Net Change in Fund Balance - Total Governmental Fund \$ 50,873

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

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.

Bond Proceeds	(7,862,922)
Payment of Principal	3,310,000

An increase in accrued interest and non-use fees does not have any impact on governmental fund expenditures. This transaction, however, does increase the amount of interest expense and non-use fees on the statement of activities.

Accrued Interest and Non-Use Fees	<u>240,763</u>
-----------------------------------	----------------

Change in Net Position of Governmental Activities	<u><u>\$ (4,261,286)</u></u>
---	------------------------------

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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, and February 14, 2008. 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.



**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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. 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 deficit.

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.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 budget includes each fund on its basis of accounting unless otherwise indicated. During fiscal year 2016, the board of directors approved a supplemental appropriation of \$1,425,450.

**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.

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.

**Facilities Fees**

Pursuant to a Fee Resolution duly adopted by the board of directors, the District imposed a Facilities Fee upon property within the District in the amount of \$800 on each single family residential unit and \$400 on each multi-family unit. The Facilities Fees are due and payable within 30 days following the end of the month in which the building permit is issued. The Facilities Fees are pledged to debt service on the bonds during the term the bonds are outstanding.

**Fund Balance**

As of December 31, 2016, 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.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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, \$38,931 of the General Fund balance has been restricted.

Non-spendable fund balance of \$5,732 is equal to the amount of pre-paid insurance for the District that will benefit a future period.

The remaining fund balance of the District of \$35,882 is restricted to meet contractual commitments under the Series 2016A General Obligation Limited Tax Note (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 CASH EQUIVALENTS**

Cash and cash equivalents as of December 31, 2016 consist of the following:

Cash Deposits	\$	69,143
Cash Held in Escrow		3,030
Total Cash		72,173

**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.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 3 CASH AND CASH EQUIVALENTS (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.

At December 31, 2016, the District's cash deposits had a carrying balance of \$69,143.

**NOTE 4 LONG-TERM OBLIGATIONS**

The District's long-term obligations consist of the following for the year ended December 31, 2016:

	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
General Obligation					
Limited Tax Bonds:					
Series 2005A	\$ 3,310,000	\$ -	\$ 3,310,000	\$ -	\$ -
Series 2005	8,230,000			8,230,000	-
General Obligation					
Limited Tax Notes:					
Series 2016A	-	7,862,922	-	7,862,922	-
Total Long-Term Obligations	<u>\$ 11,540,000</u>	<u>\$ 7,862,922</u>	<u>\$ 3,310,000</u>	<u>\$ 16,092,922</u>	<u>\$ -</u>

**Series 2005A Bonds**

The District issued the Series 2005 Bonds on September 1, 2005, in the amount of \$10,900,000. The proceeds of such debt were used for issuance costs, capitalized interest and to fund the cost of eligible public infrastructure improvements incurred by District No. 1.

The bonds are term bonds. Term bonds are subject to mandatory sinking fund redemption and mature as follows:

Original Principal	Remaining Principal	Interest Rate	Due Date	Mandatory Sinking Fund Redemption Date
\$ 4,000,000	\$ -	6.250%	December 1, 2025	December 1, 2009
\$ 6,900,000	\$ -	6.375%	December 1, 2035	December 1, 2026

Bond interest is payable semiannually on June 1 and December 1, with annual mandatory sinking fund principal payments on December 1 of each year, with a final maturity on December 1, 2035. The District incurred \$92,631 in interest expense on the Series 2005 Bonds during the year ended December 31, 2016.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Series 2005A Bonds (Continued)**

The Series 2005 Bonds were secured by and payable from Pledged Revenue, which included 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. 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 an amount sufficient to pay principal and interest on the Series 2005 Bonds, but not in excess of 40 mills and, for so long as the Debt to Assessed Ratio is higher than 50%, not less than 33 mills, and, as adjusted for changes in the ratio of actual value to assessed value of property within the District after February 13, 2004.

In the event that there are any moneys remaining in the Restricted Account of the District on October 15, 2008, in amounts sufficient to redeem any Series 2005 Bonds on December 1, 2008, such moneys are to be applied to the mandatory excess funds redemption of the Series 2005 Bonds on December 1, 2008. As of December 31, 2016, \$-0- was held in the restricted account of the construction fund. In December 2008, the District applied \$7,530,000 of the capital construction fund to the mandatory excess funds redemption based on the aforementioned clause.

The District paid off the remaining principal balance of \$3,310,000 in 2016 with the proceeds from the 2016A Limited Tax Obligation Note.

**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 is 8.5% and interest is computed on the basis of a 360-day year of twelve 30-day months. The District incurred \$703,436 in interest expense on the 2015 Bonds during the year ended December 31, 2016.

The 2015 Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, which includes 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.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The following summarizes the debt services requirements to maturity for the bonds:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 699,550	\$ 699,550
2018	-	699,550	699,550
2019	-	699,550	699,550
2020	-	699,550	699,550
2021	-	699,550	699,550
2022-2026	-	3,497,750	3,497,750
2027-2031	-	3,497,750	3,497,750
2032-2036	-	3,497,750	3,497,750
2037-2041	-	3,497,750	3,497,750
2042-2046	-	3,497,750	3,497,750
2047-2051	-	3,497,750	3,497,750
2052-2054	8,230,000	2,067,559	10,297,559
Total	<u>\$ 8,230,000</u>	<u>\$ 26,551,809</u>	<u>\$ 34,781,809</u>

**Series 2016A Note – Initial Advance**

The District issued the 2016A Limited Tax Obligation Note on June 10, 2016 for an amount not to exceed \$10,000,000. The proceeds of such debt will be 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 2016A Note. The Bank will make advances to the District from time to time during the Advance Period of June 10, 2016 through June 10, 2019 not to exceed \$10,000,000. The initial advance on the 2016A Note to the District was in the amount of \$6,795,744. The first principal payment is due December 1, 2018. 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.

The District is subject to non-use fees in the amount of 0.25% of the unfunded portion computed on the basis of a 360-day year and actual days elapsed beginning on the commencement date of the Note stated above. The District incurred \$9,309 in non-use fees on the unfunded balance as of December 31, 2016.

Unpaid principal will bear interest in the amount of 3.79% for the first five years. 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. In 2016, the District incurred \$145,950 in interest expense.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The following summarizes the debt services requirements to maturity for the Initial Advance:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 261,136	\$ 261,136
2018	124,000	261,136	385,136
2019	144,000	256,371	400,371
2020	149,000	251,525	400,525
2021	60,000	245,112	305,112
2022-2026	396,000	1,184,133	1,580,133
2027-2031	481,000	1,107,593	1,588,593
2032-2036	938,000	983,085	1,921,085
2037-2041	1,624,000	753,259	2,377,259
2042-2046	2,879,744	372,742	3,252,486
Total	<u>\$ 6,795,744</u>	<u>\$ 5,676,092</u>	<u>\$ 12,471,836</u>

**Series 2016A Note – Second Advance**

The District issued the 2016A Limited Tax Obligation Note - Second Advance on August 18, 2016 as a second advance under the Series 2016A Note described above. The amount of the principal on the second advance is \$1,067,178 for a total outstanding of \$7,862,922 under the \$10,000,000 maximum. Proceeds from the Second Advance were used to refund a portion of District No. 1's advances received from Developers; interest on the Subordinate Limited Tax Obligation Note – Series 2005; and interest on District No. 1's Subordinate Bond Anticipation Note – Series 2005.

Unpaid principal will bear interest in the amount of 3.675% for the first five years. Consistent with the 2016A Note – Initial Advance, interest will reset on May 21, 2021 and each five year anniversary until the maturity date. Due to each Note being issued on separate dates where Bank Qualified Tax-Exempt Rates change day-to-day, each Note will be amortized separately. Principal and interest will be due on the same dates as the Initial Advance. In 2016, the District incurred \$13,182 in interest expense on the Second Advance.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The following summarizes the debt services requirements to maturity for the Second Advance:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 39,764	\$ 39,764
2018	19,423	39,764	59,187
2019	22,624	39,040	61,664
2020	23,371	38,301	61,672
2021	9,391	37,326	46,717
2022-2026	62,110	180,331	242,441
2027-2031	75,556	168,683	244,239
2032-2036	147,377	149,718	297,095
2037-2041	255,109	114,712	369,821
2042-2046	452,217	56,760	508,977
Total	<u>\$ 1,067,178</u>	<u>\$ 864,399</u>	<u>\$ 1,931,577</u>

**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 an additional \$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.. The debt called in the amount of \$7,530,000 discussed above will not count towards the authorized debt limit. At December 31, 2016, the District had remaining authorized by unissued indebtedness of \$389,907,078.

**NOTE 5 RELATED PARTY**

All of the 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. During 2016, District No. 1, the District, and District No. 3 had the same board of directors.

**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.



**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5 RELATED PARTY (CONTINUED)**

**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 2015, the District incurred \$0 in accounting services fees.

**Other Agreements**

As of December 31, 2016, District No. 1, as the operating district, has entered into the following agreement which the District and District No. 3 are parties to:

Funding and reimbursement agreement for administrative and operational and maintenance costs up to \$150,000 with Frederick Development Company, Inc. No advances have been made under this agreement as of December 31, 2016.

**NOTE 6 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. 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).

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 as long as the property tax mill rate for general obligation bonds and service costs does not exceed 50 mills.

**NOTE 7 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, 2016. 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, 2016**

**NOTE 7 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 8 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.

**NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

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.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 9 INTERGOVERNMENTAL REVENUES AND EXPENDITURES**

The following intergovernmental revenue and expenses occurred during fiscal year ended December 31, 2016:

	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	\$ -	\$ 5,247,369	\$ 15,111	\$ 5,262,480
District No. 2	-	-	-	-
District No. 3	5,789	-	-	5,789
Total Expenditures	\$ 5,789	\$ 5,247,369	\$ 15,111	\$ 5,268,269

**NOTE 10 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, 2016 of \$16,253,515. 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, 2016**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 568,037	\$ 2,131,746	\$ 2,131,746	\$ -
Specific Ownership Taxes	39,763	32,333	32,333	-
Facilities Fees	-	27,200	27,200	-
Royalties	-	284	284	-
Miscellaneous Income	-	398	398	-
Net Investment Income	-	1,328	1,325	(3)
Total Revenues	<u>607,800</u>	<u>2,193,289</u>	<u>2,193,286</u>	<u>(3)</u>
<b>EXPENDITURES</b>				
Current:				
Audit	9,500	9,125	9,125	-
Treasurer's Fee	8,521	31,987	31,987	-
Trustee Fees	2,150	1,971	1,971	-
Insurance	4,000	3,447	3,030	417
Miscellaneous	10,000	5,040	457	4,583
Intergovernmental Payment:				
District No. 1	4,297,287	5,247,369	5,247,369	-
Debt Service				
Principal	3,310,000	3,310,000	3,310,000	-
Interest and Fiscal Charges	833,430	1,205,273	1,205,271	2
Loan Origination Fees	110,000	196,126	196,125	1
Total Expenditures	<u>8,584,888</u>	<u>10,010,338</u>	<u>10,005,335</u>	<u>5,003</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(7,977,088)	(7,817,049)	(7,812,049)	5,000
<b>OTHER FINANCING SOURCES</b>				
Bond proceeds	<u>8,000,000</u>	<u>7,862,922</u>	<u>7,862,922</u>	-
Total Other Financing Sources	<u>8,000,000</u>	<u>7,862,922</u>	<u>7,862,922</u>	-
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	22,912	45,873	50,873	5,000
Fund Balances - Beginning of Year	<u>27,088</u>	<u>27,088</u>	<u>29,672</u>	<u>2,584</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 50,000</u>	<u>\$ 72,961</u>	<u>\$ 80,545</u>	<u>\$ 7,584</u>