

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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**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 Audit of the Financial Statements

Opinions

We have audited the accompanying basic 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, 2021, and the related notes to the basic financial statements, which collectively comprise Wyndham Hill Metropolitan District No. 2's basic financial statements as listed in the table of contents.

In our opinion, the basic 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wyndham Hill Metropolitan District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wyndham Hill Metropolitan District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wyndham Hill Metropolitan District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wyndham Hill Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Board of Directors
Wyndham Hill Metropolitan District No. 2

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 principles 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Broomfield, Colorado
May 20, 2022

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Cash	\$ 249,855
Restricted Investments	4,819
Property Taxes Receivable	1,526,833
Due from Other Governments	5,569
Prepaid Expenses	259,027
Construction in Progress	125,000
Total Assets	2,171,103
LIABILITIES	
Due Within the Year:	
Accounts Payable	1,866
Accrued Interest	401,430
Limited Tax Obligation Notes	270,000
Due in More Than One Year	
Senior Limited Tax Obligation Bonds	19,305,000
Subordinate Limited Tax Obligation Bonds	9,600,000
Bond Premium	317,964
Accrued Interest	554,041
Subordinate Limited Tax Revenue Notes	3,419,684
Total Liabilities	33,869,985
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,526,833
Total Deferred Inflows of Resources	1,526,833
NET POSITION	
Restricted for TABOR	7,710
Unrestricted	(33,233,425)
Total Net Position	\$ (33,225,715)

See accompanying Notes to Basic Financial Statements.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenue Charges for Services	Net Revenue (Expense) and Change in Net Position Governmental Activities
Governmental Activities:			
General Government	\$ 57,926	\$ -	\$ (57,926)
Interest and Related Costs on Long-Term Debt	1,755,759	-	(1,755,759)
	\$ 1,813,685	\$ -	(1,813,685)
General Revenues:			
			1,347,278
			67,257
			4,376
			71,969
			527
			1,491,407
			(322,278)
			(32,903,437)
			\$ (33,225,715)

See accompanying Notes to Basic Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2021**

	General Fund
ASSETS	
Cash	\$ 249,855
Restricted Investments	4,819
Property Tax Receivable	1,526,833
Due from Other Governments	5,569
Prepaid Items	6,746
Total Assets	\$ 1,793,822
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 1,866
Total Liabilities	1,866
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,526,833
Total Deferred Inflows of Resources	1,526,833
FUND BALANCE	
Nonspendable for Prepaid Items	6,746
Restricted for:	
TABOR	7,710
Debt Service	35,915
Unassigned	214,752
Total Fund Balance	265,123
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,793,822

See accompanying Notes to Basic Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Total Fund Balance - Total Governmental Fund	\$	265,123
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Prepaid municipal bond insurance is recognized as an asset for governmental activities that is amortized over the life of the related debt.</p>		252,281
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet.</p> <p style="padding-left: 20px;">Capital Assets, Not Being Depreciated</p>		125,000
<p>Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.</p>		
Senior Limited Tax Obligation Bonds		(19,575,000)
Subordinate Limited Tax Obligation Bonds		(9,600,000)
Bond Premium		(317,964)
Subordinate Limited Tax Revenue Notes		(3,419,684)
Accrued Interest		(955,471)
		(33,868,119)
Net Position of Governmental Activities	\$	(33,225,715)

See accompanying Notes to Basic Financial Statements.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>General Fund</u>
REVENUES	
Property Tax Income	\$ 1,347,278
Specific Ownership Taxes	67,257
Other Income Tax	4,376
Royalties	71,969
Net Investment Income	527
Total Revenues	<u>1,491,407</u>
EXPENDITURES	
Current:	
Audit	12,075
Accounting	12,752
Treasurer's Fee	20,281
Insurance	3,200
Legal	8,555
Miscellaneous	1,063
Debt Service:	
Principal	195,000
Interest and Fiscal Charges	1,094,849
Custodial Fees	7,000
Total Expenditures	<u>1,354,775</u>
NET CHANGES IN FUND BALANCE	136,632
Fund Balance - Beginning of Year	<u>128,491</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 265,123</u></u>

See accompanying Notes to Basic 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, 2021**

Net Change in Fund Balance - Total Governmental Fund	\$	136,632
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<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>		
Payment of Principal		195,000
<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		(663,443)
<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>18,543</u>
Change in Net Position of Governmental Activities	\$	<u><u>(322,278)</u></u>

See accompanying Notes to Basic Financial Statements.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 (the Board) 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, \$7,710 of the General Fund balance has been restricted.

Nonspendable fund balance of \$6,746 is equal to the amount of prepaid insurance for the District that will benefit a future period.

The District has a balance of \$157,414 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, 2021 consist of the following:

Cash Deposits	\$ 249,855
Investments	4,819
Total Cash	<u>\$ 254,674</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, 2021, the District's cash deposits had a carrying balance of \$249,855.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, 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>\$ 4,819</u>

As of December 31, 2021, the District had \$4,819 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 LONG-TERM OBLIGATIONS

The District's long-term obligations consist of the following for the year ended December 31, 2021:

	Balance at January 1, 2021	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
General Obligation Limited:					
Tax Bonds - Series 2020A	\$ 19,770,000	\$ -	\$ 195,000	\$ 19,575,000	\$ 270,000
Tax Bonds - Series 2020B	9,600,000	-	-	9,600,000	-
Tax Bonds - Series 2020 Premium	336,507	-	18,543	317,964	-
Accrued Interest - Series 2020B	155,154	729,967	331,080	554,041	-
Subordinate Limited Tax:					
Revenue Notes - Series 2018B	3,419,684	-	-	3,419,684	-
Total Long-Term Obligations	<u>\$ 33,281,345</u>	<u>\$ 729,967</u>	<u>\$ 544,623</u>	<u>\$ 33,466,689</u>	<u>\$ 270,000</u>

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. In 2020, the District drew down an additional \$75,000. The District incurred \$265,369 in interest expense for the year ended December 31, 2021.

Each draw is subject to the terms as noted above. Below is a summary of each draw made through December 31, 2021:

	Balance at January 1, 2021	Additions	Reductions	Balance at December 31, 2021
Series 2018B	<u>\$ 3,419,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,419,684</u>

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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>
2022	\$ -	\$ 265,367	\$ 265,367
2023	-	265,367	265,367
2024	-	265,367	265,367
2025	-	265,367	265,367
2026	-	265,367	265,367
2027-2031	-	1,326,837	1,326,837
2032-2036	-	1,326,837	1,326,837
2037-2041	-	1,326,837	1,326,837
2042-2046	-	1,326,837	1,326,837
2047-2048	3,419,684	508,621	3,928,305
Total	<u>\$ 3,419,684</u>	<u>\$ 7,142,808</u>	<u>\$ 10,562,492</u>

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 and 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.

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 \$195,000 of principal payments in 2021. The District made \$763,768 of interest payments in 2021 and incurred \$762,955 in interest expense for the year ended December 31, 2021 for these bonds.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

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

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 \$331,081 of interest payments in 2021 and incurred \$729,967 in interest expense for the year ended December 31, 2021 for these bonds.

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>
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	370,000	694,269	1,064,269
2027-2031	2,265,000	3,181,745	5,446,745
2032-2036	3,065,000	2,670,545	5,735,545
2037-2041	3,955,000	2,059,207	6,014,207
2042-2046	5,060,000	1,278,900	6,338,900
2047-2049	3,665,000	280,100	3,945,100
Total	<u>\$ 19,575,000</u>	<u>\$ 13,096,592</u>	<u>\$ 32,671,592</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.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

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, 2021, the District had remaining authorized but unissued indebtedness of \$513,505,298.

NOTE 5 CONSTRUCTION IN PROGRESS

An analysis of the changes in construction in progress for the year ended December 31, 2021 follows:

	Balance at January 1, 2021	Additions	Reductions	Balance at December 31, 2021
Construction in Progress	\$ 125,000	\$ -	\$ -	\$ 125,000

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. As of December 31, 2021, the transfer has not yet occurred.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 2021, the District incurred \$12,752 in accounting services fees.

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

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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.

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 (the Pool) as of December 31, 2021. 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.

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.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

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

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, 2021:

	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	\$ -	\$ -	\$ 45,000	\$ 45,000
District No. 3	8,923	-	-	8,923
District No. 4	2,313	-	-	2,313
Total Expenditures	<u>\$ 11,236</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 56,236</u>

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, 2021 of \$33,225,715. 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, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 1,340,439	\$ 1,340,439	1,347,278	\$ 6,839
Specific Ownership Taxes	80,426	80,426	67,257	(13,169)
Other Tax Income	-	-	4,376	4,376
Royalties	-	-	71,969	71,969
Net Investment Income	-	-	527	527
Total Revenues	<u>1,420,865</u>	<u>1,420,865</u>	<u>1,491,407</u>	<u>70,542</u>
EXPENDITURES				
Current:				
Audit	11,500	12,100	12,075	25
Treasurer's Fee	20,107	20,282	20,281	1
Accounting	5,000	22,255	12,752	9,503
Insurance	3,500	3,500	3,200	300
Legal	10,000	10,000	8,555	1,445
Miscellaneous	5,640	5,640	1,063	4,577
Debt Service				
Principal	195,000	195,000	195,000	-
Interest	1,097,119	1,086,009	1,094,849	(8,840)
Loan Origination Fees	-	-	-	-
Custodial Fees	9,000	9,000	7,000	2,000
Total Expenditures	<u>1,356,866</u>	<u>1,363,786</u>	<u>1,354,775</u>	<u>9,011</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	63,999	57,079	136,632	79,553
Fund Balances - Beginning of Year	<u>118,064</u>	<u>118,064</u>	<u>128,491</u>	<u>10,427</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 182,063</u></u>	<u><u>\$ 175,143</u></u>	<u><u>\$ 265,123</u></u>	<u><u>\$ 89,980</u></u>

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