

# COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1

## 2023 ANNUAL REPORT TO

### THE TOWN OF PARKER

Pursuant to §32-1-207(3)(c), C.R.S., Section 10.11.040 of the Town Code, and Section VII of the Service Plan for Cottonwood Highlands Metropolitan District No. 1 (the “**District**”), the District is required to provide an annual report to the Town of Parker with regard to the following matters:

For the year ending December 31, 2023, the District makes the following report:

#### §32-1-207(3), C.R.S. Statutory Requirements

**1. Boundary changes made.**

*There were no boundary changes in 2023.*

**2. Intergovernmental agreements entered into or terminated with other governmental entities.**

*The District entered into an Intergovernmental Agreement Regarding BrightView Landscape Services, Inc. with Cottonwood Metro District on February 28, 2023, whereby the Cottonwood Metro District agreed to fund the year 2023 landscape maintenance costs for parks and rights-of-way located within the District.*

**3. Access information to obtain a copy of rules and regulations adopted by the board.**

*The District did not adopt any rules and regulations in 2023.*

**4. A summary of litigation involving public improvements owned by the District.**

*To our actual knowledge, based on review of the court records in Douglas County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District’s public improvements as of December 31, 2023.*

**5. The status of the construction of public improvements by the District.**

*Public infrastructure construction was previously completed by the Developer (Lennar) and has been reimbursed by the District based upon receipt of an independent engineering cost certification.*

**6. A list of facilities or improvements constructed by the District that were conveyed or dedicated to the county or municipality.**

*No public improvements were constructed in 2023.*

**7. The final assessed valuation of the District as of December 31<sup>st</sup> of the reporting year.**

*The 2023 final assessed valuation as certified by the Douglas County Assessor for the District is \$24,469,650.*

**8. A copy of the current year's budget.**

*A copy of the 2023 Budget is attached hereto as **Exhibit A**.*

**9. A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.**

*The 2023 Audit hasn't been completed yet. A copy of the 2022 Audit is attached hereto as **Exhibit B**.*

**10. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the District.**

*There were no uncured events of default that continued beyond a ninety (90) day period, under any Debt instrument.*

**11. Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a ninety (90) day period.**

*The District did not experience any inability to pay its obligations as they came due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.*

**Service Plan Requirements**

**12. A narrative summary of the progress of the District in implementing its Service Plan for the report year.**

*The District fulfilled its participation in the financing of the public improvement costs. The District has arranged for ongoing operation and maintenance of the common area landscape in cooperation with funding from the Cottonwood Metro District.*

**13. Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by the District in development of Public Improvements in the report year, as well as any public improvements proposed to be undertaken in the five (5) years following the report year.**

*Public infrastructure construction has been completed. The District does not have any public improvements proposed to be undertaken in the next five (5) years.*

- 14. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the District at the end of the report year, including the amount of outstanding Debt, the amount and terms of any new Debt issued in the report year, the amount of payment or retirement of existing Debt of the District in the report year, the total assessed valuation of all taxable properties within the District as of January 1 of the report year and the current mill levy of the District pledged to Debt retirement in the report year.**

*As of December 31, 2023 the outstanding balance of the Series 2019A Bonds was \$14,950,000 and the Series 2019B Bonds was \$4,185,000.*

*The District's 2023 mill levy pledged to Debt retirement: 52.079*

*The District's total 2023 assessed valuation: \$24,469,650*

- 15. A summary of the residential and commercial development in the District for the report year.**

*No commercial development. Century Communities (112 Homes) and the Lennar Dove Ridge Single Family Homes (306 Homes) were completed prior to 2023. Lennar paired homes began selling in 2022. 37 Lennar paired homes sold in 2023. It is anticipated that home construction will be completed by 4<sup>th</sup> quarter 2024.*

- 16. A summary of all fees, charges and assessments imposed by the District as of January 1 of the report year.**

*A \$52/month operations and maintenance fee and \$750 working capital fee.*

*Both fees were terminated/recinded at the end of 2023 when the Cottonwood Metro District agreed to provide landscape maintenance funding contribution and assistance for 2024.*

- 17. Certification of the Board that no action, event or condition enumerated in Town Code section 10.11.060 has occurred in the report year, or certification that such event has occurred but that an amendment to the Service Plan that allows such event has been approved by Town Council.**

*Attached as **Exhibit C** is the certification given on behalf of Board of Directors that no action, event or condition enumerated in Section 10.11.060 occurred in 2023.*

- 18. The name, business address and telephone number of each member of the Board and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the Board.**

*According to District Manager:*

*Lynn Severson (Resident)*  
*Ryan Foristal (Resident)*  
*Ron Hilton (Resident)*  
*Kelsey Seaman (Resident)*

*District Manager: Mulhern MRE, Inc., 58 Inverness Drive East, Suite 100, Englewood, CO 80122, (720) 274-8377.*

*General Counsel: Effective September 1, 2024 – Seter Vanderwall, 7400 E. Orcharch Rd, #3300, Greenwood Village, CO*

*Regular meetings are scheduled for the third Tuesday of each Month at 7:00 PM, via Zoom Teleconference.*

**19. Certification from the External Financial Advisor that the District is in compliance with all provisions of the Service Plan.**

*The District did not engaged an External Financial Advisor in 2023 as no privately placed debt was issued by the District.*

**EXHIBIT A**  
**2023 Budget**

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**ANNUAL BUDGET**  
**FOR THE YEAR ENDING DECEMBER 31, 2023**

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
SUMMARY  
2023 BUDGET  
WITH 2021 ACTUAL AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/30/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 1,951,381	\$ 2,075,605	\$ 2,275,684
REVENUES			
Property taxes	834,331	980,876	1,024,748
Specific ownership tax	80,462	88,290	92,227
Interest income	3,004	24,075	60,000
Operation and Maintenance Fee	207,729	243,838	-
Working capital fee	58,250	35,000	-
Late fees/penalties	20,648	-	-
Developer advance	-	50,000	-
Total revenues	<u>1,204,424</u>	<u>1,422,079</u>	<u>1,176,975</u>
Total funds available	<u>3,155,805</u>	<u>3,497,684</u>	<u>3,452,659</u>
EXPENDITURES			
General Fund	314,325	453,000	370,000
Debt Service Fund	765,875	769,000	792,000
Total expenditures	<u>1,080,200</u>	<u>1,222,000</u>	<u>1,162,000</u>
Total expenditures and transfers out requiring appropriation	<u>1,080,200</u>	<u>1,222,000</u>	<u>1,162,000</u>
ENDING FUND BALANCES	<u>\$ 2,075,605</u>	<u>\$ 2,275,684</u>	<u>\$ 2,290,659</u>
EMERGENCY RESERVE	\$ 13,400	\$ 14,000	\$ 6,000
O&M RESERVE	24,000	24,000	24,000
DEBT SERVICE RESERVE FUND	1,178,000	1,178,000	1,178,000
SURPLUS FUND (Max Surplus: \$1,497,000)	671,265	864,943	1,051,697
TOTAL RESERVE	<u>\$ 1,886,665</u>	<u>\$ 2,080,943</u>	<u>\$ 2,259,697</u>

No assurance provided. See summary of significant assumptions.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**PROPERTY TAX SUMMARY INFORMATION**  
**2023 BUDGET**  
**WITH 2021 ACTUAL AND 2022 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/30/23

ACTUAL	ESTIMATED	BUDGET
2021	2022	2023

**ASSESSED VALUATION**

Residential	\$ 11,946,750	14,090,720	\$ 14,690,720
Natural Resources	40	40	40
State assessed	200	400	1,200
Vacant land	2,425,550	2,823,590	3,222,050
Personal property	92,780	91,300	271,400
Certified Assessed Value	\$ 14,465,320	\$ 17,006,050	\$ 18,185,410

**MILL LEVY**

General	10.000	10.000	10.000
Debt Service	47.678	47.678	46.350
Total mill levy	57.678	57.678	56.350

**PROPERTY TAXES**

General	\$ 144,653	\$ 170,061	\$ 181,854
Debt Service	689,678	810,814	842,894
Levied property taxes	834,331	980,875	1,024,748
Adjustments to actual/rounding	-	1	-
Budgeted property taxes	\$ 834,331	\$ 980,876	\$ 1,024,748

**BUDGETED PROPERTY TAXES**

General	\$ 144,653	\$ 170,061	\$ 181,854
Debt Service	689,678	810,815	842,894
	\$ 834,331	\$ 980,876	\$ 1,024,748

No assurance provided. See summary of significant assumptions.



**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**GENERAL FUND**  
**2023 BUDGET**  
**WITH 2021 ACTUAL AND 2022 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/30/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCE	\$ 40,144	\$ 171,467	\$ 232,741
<b>REVENUES</b>			
Property taxes	144,653	170,061	181,854
Specific ownership tax	13,950	15,300	16,367
Operation and Maintenance Fee	207,729	243,838	-
Working capital fee	58,250	35,000	-
Late fees/penalties	20,648	-	-
Interest income	418	75	-
Developer advance	-	50,000	-
Total revenues	445,648	514,274	198,221
Total funds available	485,792	685,741	430,962
<b>EXPENDITURES</b>			
General and administrative			
Accounting	23,534	30,000	40,000
Auditing	4,800	5,100	5,500
County Treasurer's fee	2,176	2,552	2,728
Dues and licenses	605	711	750
Insurance and bonds	10,000	9,448	10,500
District management	21,896	24,000	24,000
Legal services	17,109	42,000	30,000
Miscellaneous	20	1,954	1,400
Billing	17,428	10,000	-
Alder Village - Landscape maintenance	-	-	30,000
Election expense	-	2,323	16,000
Engineering	-	745	-
Contingency	-	-	2,522
Operations and maintenance			
Irrigation repairs and maintenance	10,885	12,000	-
Landscaping maintenance	136,906	160,000	-
Fence and sign maintenance	316	65,000	20,000
Snow Removal	6,470	12,000	12,000
Tree/Plan Replacements	2,854	-	20,000
Park Maintenance	1,125	-	-
Electricity	2,228	3,500	4,000
Water	55,973	65,000	65,000
Weed/ Fertilization	-	6,667	-
Dove Village Park - Playground	-	-	6,000
Alder Village - Landscape maintenance	-	-	30,000
Transfer to Dove Village HOA	-	-	49,600
Total expenditures	314,325	453,000	370,000
Total expenditures and transfers out requiring appropriation	314,325	453,000	370,000
ENDING FUND BALANCE	\$ 171,467	\$ 232,741	\$ 60,962
EMERGENCY RESERVE	\$ 13,400	\$ 14,000	\$ 6,000
O&M RESERVE	24,000	24,000	24,000
FUTURE GENERAL & ADMINISTRATIVE	-	194,741	30,962
TOTAL RESERVE	\$ 37,400	\$ 232,741	\$ 60,962

No assurance provided. See summary of significant assumptions.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**DEBT SERVICE FUND**  
**2023 BUDGET**  
**WITH 2021 ACTUAL AND 2022 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/30/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCE	\$ 1,911,237	\$ 1,904,138	\$ 2,042,943
<b>REVENUES</b>			
Property taxes	689,678	810,815	842,894
Specific ownership tax	66,512	72,990	75,860
Interest income	2,586	24,000	60,000
Total revenues	<u>758,776</u>	<u>907,805</u>	<u>978,754</u>
Total funds available	<u>2,670,013</u>	<u>2,811,943</u>	<u>3,021,697</u>
<b>EXPENDITURES</b>			
County Treasurer's fee	10,375	12,162	12,643
Paying agent fees	7,000	7,000	7,000
Contingency	-	1,338	3,857
Debt Service			
Bond interest	748,500	748,500	748,500
Bond principal	-	-	20,000
Total expenditures	<u>765,875</u>	<u>769,000</u>	<u>792,000</u>
Total expenditures and transfers out requiring appropriation	<u>765,875</u>	<u>769,000</u>	<u>792,000</u>
ENDING FUND BALANCE	<u>\$ 1,904,138</u>	<u>\$ 2,042,943</u>	<u>\$ 2,229,697</u>
DEBT SERVICE RESERVE FUND	\$ 1,178,000	\$ 1,178,000	\$ 1,178,000
SURPLUS FUND (Max Surplus: \$1,497,000)	671,265	864,943	1,051,697
TOTAL RESERVE	<u>\$ 1,849,265</u>	<u>\$ 2,042,943</u>	<u>\$ 2,229,697</u>

No assurance provided. See summary of significant assumptions.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**2023 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for Douglas County on October 6, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town of Parker. The District's service area is located in the Town of Parker.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation, street, safety and fire protection, security, park and recreation, transportation, television relay and translation and mosquito control improvements and services.

On November 4, 2014, the District's voters authorized total indebtedness of \$200,000,000 for the above listed facilities. The District's voters also authorized total indebtedness of \$30,000,000 each for debt refunding and debt related to intergovernmental agreements or other contracts with other public entities. The election also approved an annual increase in property taxes of \$5,000,000 without limitation of rate, to pay the District's operation and maintenance costs.

Pursuant to the Consolidated Service Plan for Cottonwood Highlands Metropolitan District Nos. 1 and 2, the District is permitted to issue bond indebtedness not to exceed \$30,000,000 for both Districts combined. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this budget, the amount and timing of any debt issuances is not determinable.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**Revenues**

**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 installments, 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.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues - (continued)**

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 9% of the property taxes collected.

**Net Investment Income**

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 3.0%.

**Expenditures**

**Administrative and Operating Expenditures**

Operating and administrative expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, billing, insurance and dues. Estimated expenditures related to irrigation repairs and maintenance, landscape maintenance, fence and sign maintenance, parks and open space maintenance, tree replacement, utilities and snow removal were also included the General Fund budget.

**Debt Service**

Principal and interest payments are provided based on the attached debt amortization schedule from the Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds Series 2019A.

**Capital Outlay**

The District does not anticipate infrastructure improvements during 2023.

**Operating and Capital Leases**

The District has no operating or capital leases.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**2023 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and Leases**

On May 16, 2019, the District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds Series 2019A (the 2019A Senior Bonds) at an interest rate of 5%. The 2019A Senior Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District shall determine and by lot within maturities), on June 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed. The 2019A Senior Bonds maturing on December 1, 2049 also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2023, and on each December 1 thereafter prior to the maturity date of such 2019A Senior Bonds, upon payment of par and accrued interest, without redemption premium. The proceeds from the 2019A Senior Bonds were used for the purposes of (a) paying project costs, (b) fund the Reserve Fund, (c) fund the Capitalized Interest Fund, and (d) paying other costs in connection with the issuance of the 2019A Senior Bonds.

On May 16, 2019 the District issued Subordinate Limited tax General Obligation Bonds Series 2019B<sub>(3)</sub> (the 2019B<sub>(3)</sub> Subordinate Bonds) at an interest rate of 8.75%. The 2019B<sub>(3)</sub> Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District shall determine and by lot within maturities), on June 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed. The 2019B<sub>(3)</sub> Subordinate Bonds are also subject to mandatory redemption in part by lot on December 15 of each year, commencing December 15, 2019, to the extent of moneys on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund forty-five (45) days prior to the applicable Mandatory Redemption Date, and subject to any minimum requirements with respect to the principal amount of 2019B<sub>(3)</sub> Subordinate Bonds, at a redemption price (the "Mandatory Redemption Price") equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date. The proceeds from the sale of the 2019B<sub>(3)</sub> Bonds were used to pay project costs. These are cash flow bonds and are paid if there are available funds. There is no scheduled amortization or scheduled principal payments.

Pursuant to the Senior Indenture, prior to the Conversion Date, the District is to impose a Senior Required Mill Levy in an amount necessary to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due (less any amounts on deposit in the Senior Bond Fund and, as provided in the Senior Indenture, the Senior Surplus Fund and the Senior Reserve Fund, respectively) and to replenish the Senior Reserve Fund to the Senior Reserve Requirement, but not in excess of 35 mills. As long as the Senior Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 35 mills (subject to adjustment), or such lesser amount that will generate Senior Property Tax Revenues: (A) sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due, to replenish the Senior Reserve Fund to the Senior Reserve Requirement, and to fully fund the Senior Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund, the Senior Surplus Fund, and the Senior Reserve Fund will pay the 2019A Senior Bonds in full in the year such levy is collected.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**2023 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and Leases – (continued)**

In the event that the method of calculating assessed valuation is changed after January 1, 2000, the minimum levy of 35 mills and maximum levy of 35 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes (for purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation).

On and after the Conversion Date, the District is to impose a Senior Required Mill Levy in an amount (without limitation as to rate) sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due (less any amounts on deposit in the Senior Bond Fund and, solely as provided in the Senior Indenture, the Senior Reserve Fund) and to replenish the Senior Reserve Fund to the Senior Reserve Requirement. On and after the Conversion Date, the definition of Senior Required Mill Levy is to be determined exclusively by this paragraph regardless of any subsequent increase in the Debt to Assessed Ratio.

The Conversion Date is the first date on which all of the following conditions are met: (a) the Debt to Assessed Ratio is 50% or less; (b) no amounts of principal or interest on the 2019A Senior Bonds are due but unpaid; and (c) the amount on deposit in the Senior Reserve Fund is not less than the Senior Reserve Requirement.

Pursuant to the Subordinate Indenture, the District is to impose a Subordinate Required Mill Levy in an amount equal to (i) 35 mills (as adjusted) less the Senior Obligation Mill Levy (which means the sum of the Senior Required Mill Levy and any other mill levy required to be imposed for the payment of Senior Obligations), or (ii) such lesser amount that will generate Subordinate Property Tax Revenues which, when combined with moneys on deposit in the Subordinate Bond Fund, will pay the 2019B Subordinate Bonds in full in the year such levy is collected.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and Leases – (continued)**

The following is an analysis of anticipated changes in the District’s long-term obligations for the year ending December 31, 2022 and 2023:

	Balance December 31, 2021	Additions*	Deletions*	Balance December 31, 2022*
<b>General Obligation Bonds:</b>				
Series 2019A	\$ 14,970,000	\$ -	\$ -	\$ 14,970,000
Series 2019B	4,185,000	-	-	4,185,000
Series 2019B - Unpaid interest	1,035,088	456,758	-	1,491,846
Subtotal	<u>20,190,088</u>	<u>456,758</u>	<u>-</u>	<u>20,646,846</u>
<b>Developer Advance:</b>				
General Fund	123,763	50,000	-	173,763
General Fund - Interest	35,503	13,517	-	49,020
Capital Projects	530,014	-	-	530,014
Capital Projects - Interest	94,413	42,401	-	136,814
Subtotal	<u>783,693</u>	<u>105,918</u>	<u>-</u>	<u>889,611</u>
<b>Total</b>	<u><u>\$ 20,973,781</u></u>	<u><u>\$ 562,676</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,536,457</u></u>
	Balance December 31, 2022*	Additions*	Deletions*	Balance December 31, 2023*
<b>General Obligation Bonds:</b>				
Series 2019A	\$ 14,970,000	\$ -	\$ -	\$ 14,970,000
Series 2019B	4,185,000	-	-	4,185,000
Series 2019B - Unpaid interest	1,491,846	496,724	-	1,988,570
Subtotal	<u>20,118,124</u>	<u>496,724</u>	<u>-</u>	<u>21,143,570</u>
<b>Developer Advance:</b>				
General Fund	173,763	-	-	173,763
General Fund - Interest	49,021	13,901	-	62,922
Capital Projects	530,014	-	-	530,014
Capital Projects - Interest	136,814	42,401	-	179,215
Subtotal	<u>776,058</u>	<u>56,302</u>	<u>-</u>	<u>945,914</u>
<b>Total</b>	<u><u>\$ 20,894,182</u></u>	<u><u>\$ 553,026</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,089,484</u></u>

\*Estimate

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Reserves**

**Emergency Reserve**

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2023, as defined under TABOR.

**This information is an integral part of the accompanying budget.**



**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**\$14,970,000 Series 2019A limited  
Tax (Convertible to Unlimited Tax)  
General Obligation Bonds  
Dated May 15, 2019  
Principal due December 1  
Interest Rate 5.0% Payable  
June 1 and December 1**

<b>Year Ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 20,000	\$ 748,500	\$ 768,500
2024	110,000	747,500	857,500
2025	170,000	742,000	912,000
2026	215,000	733,500	948,500
2027	225,000	722,750	947,750
2028	255,000	711,500	966,500
2029	270,000	698,750	968,750
2030	300,000	685,250	985,250
2031	315,000	670,250	985,250
2032	350,000	654,500	1,004,500
2033	370,000	637,000	1,007,000
2034	410,000	618,500	1,028,500
2035	430,000	598,000	1,028,000
2036	470,000	576,500	1,046,500
2037	495,000	553,000	1,048,000
2038	540,000	528,250	1,068,250
2039	570,000	501,250	1,071,250
2040	620,000	472,750	1,092,750
2041	650,000	441,750	1,091,750
2042	705,000	409,250	1,114,250
2043	740,000	374,000	1,114,000
2044	800,000	337,000	1,137,000
2045	835,000	297,000	1,132,000
2046	900,000	255,250	1,155,250
2047	945,000	210,250	1,155,250
2048	1,015,000	163,000	1,178,000
2049	2,245,000	112,250	2,357,250
	<b>\$ 14,970,000</b>	<b>\$ 14,199,500</b>	<b>\$ 29,169,500</b>

No assurance provided. See summary of significant assumptions.

**EXHIBIT B**  
**2022 Audit**

**COTTONWOOD HIGHLANDS  
METROPOLITAN DISTRICT NO. 1  
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>I</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>3</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>4</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE         GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND         CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES,     AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>27</b>
<b>OTHER INFORMATION</b>	
<b>SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY</b>	<b>29</b>
<b>SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY     TAXES COLLECTED</b>	<b>30</b>



Board of Directors  
Cottonwood Highlands Metropolitan District No. 1  
Douglas County, Colorado

Independent Auditor's Report

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cottonwood Highlands Metropolitan District No. 1 as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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.

Correction of Error

As described in Note 10 to the financial statements, the beginning net position was restated to reflect a correction for advances and related interest. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

## Other Matters

### Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 opinions on the basic financial statements are not affected by this missing information.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

### Other Information

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Wipfli LLP*

Wipfli LLP  
Lakewood, Colorado

July 26, 2023

## **BASIC FINANCIAL STATEMENTS**



**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 289,349
Cash and Investments - Restricted	2,056,666
Prepaid Expenses	450
Accounts Receivable	4,605
Accounts Receivable - Due from MSI	32,557
Receivable - County Treasurer	6,223
Property Taxes Receivable	1,024,748
Capital Assets, Net	2,440,045
Total Assets	5,854,643
<b>LIABILITIES</b>	
Accounts Payable	40,546
Prepaid Operations and Maintenance Fees	12,824
Accrued Interest Payable	62,375
Noncurrent Liabilities:	
Due Within One Year	30,985
Due in More Than One Year	19,555,198
Total Liabilities	19,701,928
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	1,024,748
Total Deferred Inflows of Resources	1,024,748
<b>NET POSITION</b>	
Net Investment in Capital Assets	(15,735,278)
Restricted for:	
Emergency Reserves	14,300
Debt Service	1,989,890
Unrestricted	(1,140,944)
Total Net Position	\$ (14,872,033)

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Change in Net Position
Primary Government: Governmental Activities:	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General Government	\$ 558,023	\$ 289,693	\$ -	\$ (268,330)
Interest and Related Costs on Long-Term Debt	770,199	-	-	(770,199)
Total Governmental Activities	\$ 1,328,222	\$ 289,693	\$ -	(1,038,529)

**GENERAL REVENUES**

Property Taxes	980,876
Specific Ownership Taxes	86,740
Net Investment Income	33,328
Total General Revenues	1,100,944

**CHANGE IN NET POSITION**

Net Position - Beginning of Year (As Restated)	62,415
Net Position - End of Year	(14,934,448)
Net Position - End of Year	\$ (14,872,033)

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 277,594	\$ 11,755	\$ 289,349
Cash and Investments - Restricted	14,300	2,042,366	2,056,666
Accounts Receivable	4,605	-	4,605
Accounts Receivable - Due from MSI	32,557	-	32,557
Receivable - County Treasurer	1,079	5,144	6,223
Property Taxes Receivable	181,854	842,894	1,024,748
Prepaid Expenses	450	-	450
	<u>\$ 512,439</u>	<u>\$ 2,902,159</u>	<u>\$ 3,414,598</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 33,546	\$ 7,000	\$ 40,546
Prepaid Operations and Maintenance Fees	12,824	-	12,824
Total Liabilities	<u>46,370</u>	<u>7,000</u>	<u>53,370</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	181,854	842,894	1,024,748
Total Deferred Inflows of Resources	<u>181,854</u>	<u>842,894</u>	<u>1,024,748</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Expenses	450	-	450
Restricted For:			
Emergency Reserves	14,300	-	14,300
Debt Service	-	2,052,265	2,052,265
Assigned To:			
Subsequent Year's Expenditures	171,779	-	171,779
Unassigned	97,686	-	97,686
Total Fund Balances	<u>284,215</u>	<u>2,052,265</u>	<u>2,336,480</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 512,439</u>	<u>\$ 2,902,159</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets, Net	2,440,045
---------------------	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

Bonds Payable	(19,363,399)
Developer Advance Payable	(173,763)
Accrued Interest Payable	(111,396)

Net Position of Governmental Activities	<u>\$ (14,872,033)</u>
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See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 170,061	\$ 810,815	\$ 980,876
Specific Ownership Taxes	15,039	71,701	86,740
Operation and Maintenance Fee	246,193	-	246,193
Working Capital Fee	43,500	-	43,500
Net Investment Income	51	33,277	33,328
Total Revenues	474,844	915,793	1,390,637
<b>EXPENDITURES</b>			
General Government:			
Accounting	27,861	-	27,861
Auditing	5,100	-	5,100
County Treasurer's Fee	2,552	12,166	14,718
Dues and Licenses	711	-	711
Insurance and Bonds	9,448	-	9,448
District Management	19,188	-	19,188
Billing	8,687	-	8,687
Legal Services	43,331	-	43,331
Election Expense	2,588	-	2,588
Engineering	745	-	745
Operations and Maintenance:			
Irrigation Repairs and Maintenance	9,372	-	9,372
Landscaping Maintenance	159,941	-	159,941
Fence and Sign Maintenance	43,265	-	43,265
Snow Removal	12,660	-	12,660
Electricity	2,858	-	2,858
Water	57,122	-	57,122
Weed/Fertilization	6,667	-	6,667
Debt Service:			
Bond Interest	-	748,500	748,500
Paying Agent Fees	-	7,000	7,000
Total Expenditures	412,096	767,666	1,179,762
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	62,748	148,127	210,875
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	50,000	-	50,000
Total Other Financing Sources (Uses)	50,000	-	50,000
<b>NET CHANGE IN FUND BALANCES</b>	112,748	148,127	260,875
Fund Balances - Beginning of Year	171,467	1,904,138	2,075,605
<b>FUND BALANCES - END OF YEAR</b>	\$ 284,215	\$ 2,052,265	\$ 2,336,480

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds	\$ 260,875
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay and depreciation expense in the current period are as follows:

Depreciation Expense	(145,927)
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Developer Advance	(50,000)
Accrued Interest on Developer Advance	(13,518)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of Bond Premium	10,985
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Change in Net Position of Governmental Activities	\$ <u>62,415</u>
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**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
GENERAL FUND –  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 170,061	\$ 170,061	\$ -
Specific Ownership Taxes	13,605	15,039	1,434
Operation and Maintenance Fee	258,960	246,193	(12,767)
Working Capital Fee	45,000	43,500	(1,500)
Net Investment Income	-	51	51
Total Revenues	<u>487,626</u>	<u>474,844</u>	<u>(12,782)</u>
<b>EXPENDITURES</b>			
General and Administrative:			
Accounting	44,000	27,861	16,139
Audit	5,500	5,100	400
County Treasurer's Fee	2,551	2,552	(1)
Dues and Licenses	750	711	39
Insurance and Bonds	10,500	9,448	1,052
District Management	24,200	19,188	5,012
Billing	16,500	8,687	7,813
Legal Services	25,000	43,331	(18,331)
Miscellaneous	1,000	-	1,000
Election expense	16,000	2,588	13,412
Engineering	2,000	745	1,255
Contingency	1,299	-	1,299
Operations and Maintenance:			
Irrigation Repairs and Maintenance	14,500	9,372	5,128
Landscaping Maintenance	125,500	159,941	(34,441)
Landscaping Improvements	7,500	-	7,500
Fence and Sign Maintenance	70,000	43,265	26,735
Snow Removal	11,500	12,660	(1,160)
Tree and Plant Replacements	110,000	-	110,000
Park Maintenance	10,000	-	10,000
Electricity	4,500	2,858	1,642
Water	110,000	57,122	52,878
Weeds and Fertilization	2,200	6,667	(4,467)
Total Expenditures	<u>615,000</u>	<u>412,096</u>	<u>202,904</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(127,374)	62,748	190,122
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	67,588	50,000	(17,588)
Total Other Financing Sources (Uses)	<u>67,588</u>	<u>50,000</u>	<u>(17,588)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(59,786)	112,748	172,534
Fund Balance - Beginning of Year	<u>98,486</u>	<u>171,467</u>	<u>72,981</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 38,700</u>	<u>\$ 284,215</u>	<u>\$ 245,515</u>

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Cottonwood Highlands Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for Douglas County, Colorado, on October 6, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the Town of Parker. The District was established to provide financing for the design, acquisition, installation, construction, and completion of public improvements and services, including water, sanitation, street, safety and fire protection, security, park and recreation, transportation, television relay and translation, and mosquito control improvements and services.

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 has no employees, and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Government-Wide and Fund Financial Statements (Continued)**

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**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.

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The effect of interfund activity has been eliminated from the government-wide financial statements.



**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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 and other financing uses 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.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

**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 assess the property tax obligation of the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or if in equal installments at the 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, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Capital Assets (Continued)**

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful life:

Parks and Recreation

20 Years

**Amortization – Original Issue Premium**

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt issued, and premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Operations and Maintenance Fee**

The District provides operations and maintenance services for park and recreation type amenities and facilities benefiting property and inhabitants within the District. A recurring monthly Operations Fee is imposed upon each Residential Unit within the District Boundaries to the fund the costs. In 2022, the Operations Fee was \$52 per Residential Unit.

**Working Capital Fee**

The District established a Working Capital Fee in order to pay for costs associated with account administration. The Working Capital Fee is imposed on all Transfer of a Residential Unit by an End User. In 2022, the Working Capital Fee was \$750.

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Equity (Continued)**

**Fund Balance**

Fund balances for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 289,349
Cash and Investments - Restricted	2,056,666
Total Cash and Investments	\$ 2,346,015

Cash and investments as of December 31, 2022, consist of the following:

Deposits with Financial Institutions	\$ 303,649
Investments	2,042,366
Total Cash and Investments	\$ 2,346,015

**Deposits with Financial Institutions**

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 102% of the aggregate uninsured deposits.

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

At December 31, 2022, the District's cash deposits had a bank and carrying balance of \$303,649.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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 or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

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

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	<u>\$ 2,042,366</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**CSAFE (Continued)**

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2022, follows:

	Balance at December 31, 2021	Increases	Decreases	Balance at December 31, 2022
<b><u>Governmental Activities:</u></b>				
Capital Assets, Being Depreciated:				
Parks and Recreation	\$ 2,918,539	\$ -	\$ -	\$ 2,918,539
Total Capital Assets, Being Depreciated	2,918,539	-	-	2,918,539
Less Accumulated Depreciation for:				
Parks and Recreation	(332,567)	(145,927)		(478,494)
Total Accumulated Depreciation	(332,567)	(145,927)	-	(478,494)
Total Capital Assets, Being Depreciated, Net	2,585,972	(145,927)	-	2,440,045
Governmental Activities Capital Assets, Net	\$ 2,585,972	\$ (145,927)	\$ -	\$ 2,440,045

Depreciation expense for the year ended December 31, 2022, of \$145,927 was charged to general government function/program.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2022:

	Balance December 31, 2021, as restated	Additions	Deletions	Balance December 31, 2022	Due Within One Year
General Obligation Bonds:					
Series 2019A	\$ 14,970,000	\$ -	\$ -	\$ 14,970,000	\$ 20,000
Series 2019B	4,185,000	-	-	4,185,000	-
Subtotal	19,155,000	-	-	19,155,000	20,000
Bond Premium:					
Series 2019A	219,384	-	10,985	208,399	10,985
Subtotal	219,384	-	10,985	208,399	-
Developer Advance:					
General Fund	123,763	50,000	-	173,763	-
General Fund - Interest	35,503	13,518	-	49,021	-
Subtotal	159,266	63,518	-	222,784	-
<b>Total</b>	<b>\$ 19,533,650</b>	<b>\$ 63,518</b>	<b>\$ 10,985</b>	<b>\$ 19,586,183</b>	<b>\$ 30,985</b>

The details of the District's general obligation bonds outstanding are as follows:

**Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B**

**Bond Details**

The District issued the 2019 Bonds on May 16, 2019, in the par amounts of \$14,970,000 for the 2019A Senior Bonds and \$4,185,000 for the 2019B Subordinate Bonds. Proceeds from the sale of the 2019A Senior Bonds were used to: (i) finance public improvements; (ii) pay capitalized interest on the 2019A Senior Bonds; (iii) fund the Senior Reserve Fund; and (iv) pay the costs of issuing the 2019 Bonds. Proceeds from the sale of the 2019B Subordinate Bonds were used to finance and refinance public improvements.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)**

**Bond Details (Continued)**

The 2019A Senior Bonds bear interest at the rate of 5.00% per annum and are payable semiannually on June 1 and December 1, beginning on December 1, 2019. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2023. The 2019A Senior Bonds mature on December 1, 2049. To the extent principal of any bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 1, 2056. To the extent interest on any 2019A Senior Bond is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the 2019A Senior Bond. If any amounts due on the 2019A Senior Bonds remain outstanding on December 1, 2056, such amounts shall be deemed discharged and will no longer be due and outstanding.

The 2019B Subordinate Bonds bear interest at the rate of 8.75% per annum and are payable annually on December 15, beginning December 15, 2019, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2049. The 2019B Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the 2019B Subordinate Bonds compounds annually on each December 15. If any principal or interest on the 2019B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available on December 15, 2056, the 2019B Subordinate Bonds shall be deemed discharged and will no longer be due and outstanding.

**Optional Redemption**

The 2019A Senior Bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2024 to May 31, 2025	3.00 %
June 1, 2025 to May 31, 2026	2.00
June 1, 2026 to May 31, 2027	1.00
June 1, 2027, and thereafter	-



**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)**

Optional Redemption (Continued)

The 2019B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2024 to May 31, 2025	3.00 %
June 1, 2025 to May 31, 2026	2.00
June 1, 2026 to May 31, 2027	1.00
June 1, 2027, and thereafter	-

Pledged Revenue

The 2019A Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue, net of any costs of collection, which includes: (a) all Senior Property Tax Revenues; (b) all Senior Specific Ownership Tax Revenues; (c) all Capital Fees; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

The 2019B Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, net of any costs of collection, which includes; (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fees; (d) any amounts in the Senior Surplus Fund upon the termination of such fund pursuant to the Senior Indenture; and (e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Property Tax Revenues

“Senior Property Tax Revenues” mean all moneys derived from imposition by the District of the Senior Required Mill Levy and are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. Senior Property Tax Revenues do not include specific ownership tax revenues.

“Subordinate Property Tax Revenues” mean all moneys derived from imposition by the District of the Subordinate Required Mill Levy and are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. Subordinate Property Tax Revenues do not include specific ownership tax revenues.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)**

**Required Mill Levies**

Pursuant to the Senior Indenture, prior to the Conversion Date, the District is to impose a Senior Required Mill Levy in an amount necessary to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due (less any amounts on deposit in the Senior Bond Fund and, as provided in the Senior Indenture, the Senior Surplus Fund, and the Senior Reserve Fund, respectively) and to replenish the Senior Reserve Fund to the Senior Reserve Requirement, but not in excess of 35 mills. As long as the Senior Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 35 mills (subject to adjustment), or such lesser amount that will generate Senior Property Tax Revenues: (a) sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due, to replenish the Senior Reserve Fund to the Senior Reserve Requirement, and to fully fund the Senior Surplus Fund to the Maximum Surplus Amount, or (b) which, when combined with moneys then on deposit in the Senior Bond Fund, the Senior Surplus Fund, and the Senior Reserve Fund will pay the 2019A Senior Bonds in full in the year such levy is collected.

In the event that the method of calculating assessed valuation is changed after January 1, 2000, the minimum levy of 35 mills and maximum levy of 35 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes (for purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation).

On and after the Conversion Date, the District is to impose a Senior Required Mill Levy in an amount (without limitation as to rate) sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due (less any amounts on deposit in the Senior Bond Fund and, solely as provided in the Senior Indenture, the Senior Reserve Fund) and to replenish the Senior Reserve Fund to the Senior Reserve Requirement. On and after the Conversion Date, the definition of Senior Required Mill Levy is to be determined exclusively by this paragraph regardless of any subsequent increase in the Debt to Assessed Ratio.

The Conversion Date is the first date on which all of the following conditions are met: (a) the Debt to Assessed Ratio is 50% or less; (b) no amounts of principal or interest on the 2019A Senior Bonds are due but unpaid; and (c) the amount on deposit in the Senior Reserve Fund is not less than the Senior Reserve Requirement.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)**

Required Mill Levies (Continued)

Pursuant to the Subordinate Indenture, the District is to impose a Subordinate Required Mill Levy in an amount equal to (i) 35 mills (as adjusted) less the Senior Obligation Mill Levy (which means the sum of the Senior Required Mill Levy and any other mill levy required to be imposed for the payment of Senior Obligations), or (ii) such lesser amount that will generate Subordinate Property Tax Revenues which, when combined with moneys on deposit in the Subordinate Bond Fund, will pay the 2019B Subordinate Bonds in full in the year such levy is collected.

Senior Reserve Fund

The 2019A Senior Bonds are also secured by the Senior Reserve Fund which was funded from the proceeds of the 2019A Senior Bonds in the amount of the Senior Reserve Requirement of \$1,178,000. If a withdrawal from the Senior Reserve Fund is made that reduces the balance in such fund below the Senior Reserve Requirement, the District is to include in the computation of its next mill levy certification the amount necessary to replenish the Senior Reserve Fund to the amount of the Senior Reserve Requirement, subject to the limitations of the Senior Required Mill Levy. The balance in the Senior Reserve Fund at December 31, 2022, is \$1,188,076.

Senior Surplus Fund

The 2019A Senior Bonds are further secured by funds in the Senior Surplus Fund, if any. Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the 2019A Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount of \$1,497,000. The Senior Surplus Fund will be terminated upon the Conversion Date and any moneys therein applied to any legal purpose of the District. Pursuant to the Subordinate Indenture, amounts released from the Senior Surplus Fund are to be applied to the payment of the 2019B Subordinate Bonds. The balance in the Senior Surplus Fund at December 31, 2022, is \$682,144.

Unused lines of credit

The 2019A Senior Bonds do not have any unused lines of credit.

Collateral

No assets have been pledged as collateral on the 2019A Senior Bonds.

Acceleration

The 2019A Senior Bonds are not subject to acceleration.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)**

Termination Events

The 2019A Senior Bonds do not have a termination provision.

Events of default

Events of default occur if the Districts fail to impose the Required Mill Levy, or to apply the Pledged Revenues as required by the Indenture, and do not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indentures.

**2019A Senior Bonds Debt Service**

The outstanding principal and interest of the 2019A Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 20,000	\$ 748,500	\$ 768,500
2024	110,000	747,500	857,500
2025	170,000	742,000	912,000
2026	215,000	733,500	948,500
2027	225,000	722,750	947,750
2028-2032	1,490,000	3,420,250	4,910,250
2033-2037	2,175,000	2,983,000	5,158,000
2038-2042	3,085,000	2,353,250	5,438,250
2043-2047	4,220,000	1,473,500	5,693,500
2048-2049	3,260,000	275,250	3,535,250
	<u>\$ 14,970,000</u>	<u>\$ 14,199,500</u>	<u>\$ 29,169,500</u>

The annual debt service requirements on the 2019B Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

On November 4, 2014, the District's voters authorized total indebtedness of \$200,000,000 for the above listed facilities. The District's voters also authorized total indebtedness of \$30,000,000 each for debt refunding and debt related to intergovernmental agreements or other contracts with other public entities. The election also approved an annual increase in property taxes of \$5,000,000 without limitation of rate, to pay the District's operations and maintenance costs.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**2019A Senior Bonds Debt Service (Continued)**

Pursuant to the Consolidated Service Plan for Cottonwood Highlands Metropolitan District Nos. 1 and 2, the District is permitted to issue bond indebtedness not to exceed \$30,000,000 for both Districts combined. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. As of December 31, 2022, the District had authorized but unissued indebtedness in the following allocation for the following purposes:

	Amount Authorized on 11/4/2014	Amount Used Series 2019A and 2019B Bonds	Authorized Amount Remaining
Streets	\$ 30,000,000	\$ 6,174,543	\$ 23,825,457
Sewer	30,000,000	5,503,662	24,496,338
Water	30,000,000	2,213,951	27,786,049
Parks and Recreation	30,000,000	4,868,499	25,131,501
Traffic and Safety	30,000,000	394,345	29,605,655
Mosquito Control	5,000,000	-	5,000,000
Transportation	30,000,000	-	30,000,000
Fire Protection	5,000,000	-	5,000,000
TV Relay	5,000,000	-	5,000,000
Security	5,000,000	-	5,000,000
Total	<u>\$ 200,000,000</u>	<u>\$ 19,155,000</u>	<u>\$ 180,845,000</u>

**NOTE 6 NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Invested in Capital Assets, Net of Related Debt:	
Capital Assets, Net	\$ 2,440,045
Unspent Bond Proceeds	1,188,076
Bond Premium, Net	(208,399)
Bonds and Loans Outstanding	(19,155,000)
Total Net Investment in Capital Assets	<u>\$ (15,735,278)</u>

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 6 NET POSITION (CONTINUED)**

Restricted net position consists of assets that are restricted for use either 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 restricted net position as of December 31, 2022, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 14,300
Debt Service	1,989,890
Total Restricted Net Position	\$ 2,004,190

The District's unrestricted net position as of December 31, 2022, totaled (\$1,140,944).

**NOTE 7 RELATED PARTY**

The Developer of the property which constitutes the District is Lennar Corporation. Certain members of the Board of Directors of the District are officers or employees of or related to the Developer or an entity affiliated with the Developer and may have conflicts of interest in dealing with the District.

**Reimbursement Allocation Agreement**

On May 29, 2015, the District entered into the Reimbursement Allocation Agreement with C&J Land Investments, LLC, S&L Land Investments, LLC, K&H Land Investments, LLC, Colorado Venture III, LLC, Colorado Venture I, LLC, Parkwood East, LLC, Clay Carlson, Kent Carlson and Scott Carlson (collectively and jointly and severally, Carlson), and Lennar Colorado, LLC, (Lennar). Carlson and Lennar can be referred to collectively as "Parties" or individually as a "Party". When the District incurs Debt to pay for the acquisition of Public Infrastructure that has been or will be constructed pursuant to the terms of a Facilities Acquisition Agreement, the Parties (or any of them) shall obtain from the debt advisor that the District has engaged in connection with its bond underwriting process (Debt Advisor) the projected assessed ad valorem valuation of Property within the District that was used to calculate and determine the amount of the Debt incurred by the District (Utilized AV). The Parties will engage the Debt Advisor to apportion the Utilized AV between and among the development phases of the Property as identified by the Parties. Each Phase's share (Share) of the amount of the Debt that is incurred by the District will be a percentage that is determined by dividing the Utilized AV that has been apportioned to that Phase of the Property by the total Utilized AV. The total amount of payments received by any owner with respect to a Phase under a Facility Acquisition Agreement may not exceed the applicable Share of the Debt apportioned to that Phase. As the construction of Public Infrastructure for a Phase is completed by a Party, such Party may submit the cost of the Public Infrastructure to the District pursuant to a Facilities Acquisition Agreement and receive payment.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 7 RELATED PARTY (CONTINUED)**

**Amended and Restated Reimbursement Allocation Agreement**

On September 26, 2017, the District entered into the Amended and Restated Allocation Agreement with Lennar, Century, and Carlson. Lennar, Century, Carlson, and the District can be referred to as “Parties” or individually as a “Party”. The Parties agree that with respect to the net proceeds of any Debt incurred by the District, each Party shall be entitled to receive from the District pursuant to the Facilities Acquisition Agreement executed by each Party and any other agreement entered between the Party and the District, its “Share” of the District Debt Proceeds as defined in the agreement.

**Funding and Reimbursement Agreement**

On September 26, 2017, the District entered into the Funding and Reimbursement Agreement with Lennar (the Developer). The Developer agrees to loan the District not to exceed the aggregate of \$60,000 per annum for five years, up to \$300,000. These funds shall be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2022. The loan bears simple interest rate of 8% per annum, from the date any such advance is made. As of December 31, 2022, the District has operating advance payable of \$222,784 of which \$173,763 is principal and \$49,021 is accrued interest.

**Facilities Acquisition Agreements**

On September 26, 2017, the District entered into the Facilities Acquisition Agreement with Lennar. Lennar has incurred certain costs related to public infrastructure for the benefit of the District. The District has agreed to: (i) reimburse Lennar the Construction Costs for all completed public infrastructure authorized by the District’s Service Plan; and (ii) acquire any such completed Public Infrastructure constructed for the benefit of the District from Lennar that is not being dedicated to other governmental entities. No additional reimbursement is expected of the District.

On September 26, 2017, the District entered into the Facilities Acquisition Agreement with Century (the Developer). Century has incurred certain costs related to public infrastructure for the benefit of the District. The District has agreed to: (i) reimburse Century the Construction Costs for all completed public infrastructure authorized by the District’s Service Plan; and (ii) acquire any such completed Public Infrastructure constructed for the benefit of the District from Century that is not being dedicated to other governmental entities. The District paid the maximum allowed amount pursuant to the Agreement in January 2020.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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; injuries to employees; or acts of God.

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

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds 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, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

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

On November 4, 2014, a majority of the District's electors authorized the District to collect and spend or retain, beginning in 2014 and for each subsequent year, all revenues of the District without regard to any limitations under TABOR.

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.



**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 10 PRIOR PERIOD ADJUSTMENT**

Prior to January 1, 2022, the District stated amounts outstanding to Century and to Lennar. In January 2020 the District made the required maximum payment amount of \$1,633,945 to Century as such amount is stated in the Amended and Restated Reimbursement Allocation Agreement with reference thereto the Facility Acquisition Agreement. As of December 31, 2022, no amount is due and owing to Century under these Agreements. Under the 2017 Facility Acquisition Agreement with Lennar the amount of reimbursement is limited to the "extent of its ability". As of December 31, 2022, there are no remaining funds available to be spent on certified construction costs and no amount is due and owing to Lennar.

Net Position – Beginning of Year as Originally Stated	(15,558,875)
Adjustment for Capital Advances and Related Interest	<u>624,427</u>
Net Position – Beginning of Year as Restated	<u>(14,934,448)</u>

## **SUPPLEMENTARY INFORMATION**

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
DEBT SERVICE FUND –  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 810,814	\$ 810,815	\$ 1
Specific Ownership Taxes	64,865	71,701	6,836
Net Investment Income	1,900	33,277	31,377
Total Revenues	<u>877,579</u>	<u>915,793</u>	<u>38,214</u>
<b>EXPENDITURES</b>			
County Treasurer's Fees	12,162	12,166	(4)
Paying agent fees	7,000	7,000	-
Bond Interest	748,500	748,500	-
Contingency	4,338	-	4,338
Total Expenditures	<u>772,000</u>	<u>767,666</u>	<u>4,334</u>
<b>NET CHANGE IN FUND BALANCE</b>	105,579	148,127	42,548
Fund Balance - Beginning of Year	<u>1,905,034</u>	<u>1,904,138</u>	<u>(896)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 2,010,613</u></u>	<u><u>\$ 2,052,265</u></u>	<u><u>\$ 41,652</u></u>

## **OTHER INFORMATION**

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2022**

\$14,970,000 Series 2019A limited  
Tax (Convertible to Unlimited Tax)  
General Obligation Bonds  
Dated May 15, 2019  
Principal due December 1  
Interest Rate 5.0% Payable  
June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2023	\$ 20,000	\$ 748,500	\$ 768,500
2024	110,000	747,500	857,500
2025	170,000	742,000	912,000
2026	215,000	733,500	948,500
2027	225,000	722,750	947,750
2028	255,000	711,500	966,500
2029	270,000	698,750	968,750
2030	300,000	685,250	985,250
2031	315,000	670,250	985,250
2032	350,000	654,500	1,004,500
2033	370,000	637,000	1,007,000
2034	410,000	618,500	1,028,500
2035	430,000	598,000	1,028,000
2036	470,000	576,500	1,046,500
2037	495,000	553,000	1,048,000
2038	540,000	528,250	1,068,250
2039	570,000	501,250	1,071,250
2040	620,000	472,750	1,092,750
2041	650,000	441,750	1,091,750
2042	705,000	409,250	1,114,250
2043	740,000	374,000	1,114,000
2044	800,000	337,000	1,137,000
2045	835,000	297,000	1,132,000
2046	900,000	255,250	1,155,250
2047	945,000	210,250	1,155,250
2048	1,015,000	163,000	1,178,000
2049	2,245,000	112,250	2,357,250
Total	<u>\$ 14,970,000</u>	<u>\$ 14,199,500</u>	<u>\$ 29,169,500</u>

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2022**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Mills Levied	Total Property Taxes		Percent Collected to Levied
		General Fund	Debt Service Fund		Levied	Collected	
2018	\$ 3,691,390	10.000	47.347	57.347	\$ 211,690	\$ 211,690	100.00
2019	8,428,500	10.000	47.347	57.347	483,349	483,350	100.00
2020	12,623,250	10.000	47.678	57.678	728,084	728,085	100.00
2021	14,465,320	10.000	47.678	57.678	834,331	834,331	100.00
2022	17,006,050	10.000	47.678	57.678	980,874	980,876	100.00
Estimated for the Year Ending December 31, 2023	\$ 18,185,410	10.000	46.350	56.350	\$ 1,024,748		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

**EXHIBIT C**

Certification on behalf of the Board of Directors

STATE OF COLORADO

COUNTY OF DOUGLAS

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICTS NO. 1

White Bear Ankele Tanaka & Waldron P.C., acting general counsel and authorized representative for the Board of Directors of the above District as of the date of filing of the 2023 annual report, hereby certifies, on the Board's behalf, that during the year 2023, no action, event or condition enumerated in Section 10.11.060 of the Town of Parker Code took place within the District's boundaries or for which the District was made aware, which would have required a service plan amendment as a change of a basic or essential nature. In 2023, the Town instructed the District to terminate its maintenance fee and working capital fee and at of the end of 2023 the District terminated both fees in compliance with the Town's mandate.

**WHITE BEAR ANKELE TANAKA & WALDRON**

Attorneys at Law