

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2

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. 2 (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 made in 2023.

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

The District did not enter into or terminate any intergovernmental agreements with other governmental entities in 2023.

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

As of December 31, 2023, the District had not adopted any rules and regulations.

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 improvement construction for the commercial development within the District has yet to begin, but is anticipated to start in late 2024, early 2025.

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, dedicated or conveyed in 2023.

7. The final assessed valuation of the District as of December 31st of the reporting year.

The 2023 final assessed valuation as certified by the Douglas County Assessor for the District is \$3,239,870.

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

*A copy of the 2024 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.

*A copy of the 2023 Audit Exemption Application 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.

Public improvement construction for the development within the District has yet to begin, but is expected to start in late 2024, early 2025.

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.

No capital expenditures were incurred by this commercial District in 2023. Public infrastructure construction is expected to begin within 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.

The District has not issued bonded Debt.

The District's 2023 mill levy pledged to Debt retirement: 10.000 (for anticipated future bonded debt service)

The District's total 2023 assessed valuation: \$3,239,870

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

The District is a commercial only district. No commercial development occurred in 2023.

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

None.

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.

At the time of submission of this annual report:

Kent Carlson (land owner/ developer)

Scott Carlson (land owner/original developer)

Clay Carlson (land owner/original developer)

General Counsel: White Bear Ankele Tanaka & Waldron, 2154 E. Commons Avenue, Suite 2000, Centennial, CO 80122, (303) 858-1800.

Regular meetings are scheduled for the first Tuesday of June and December at 10:00 a.m., 12460 1st Street, Eastlake, Colorado and/or via Zoom Teleconference.

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

Not Applicable since the District has not engaged an External Financial Advisor because it has not issued any privately placed Debt.

EXHIBIT A
2024 Budget

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2024

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
SUMMARY
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,

1/17/24

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCES	\$ 18,029	\$ 28,083	\$ 54,930
REVENUES			
Property taxes	39,720	42,192	64,798
Specific ownership taxes	3,512	3,971	5,832
Developer advance	-	-	735,000
Total revenues	<u>43,232</u>	<u>46,163</u>	<u>805,630</u>
Total funds available	<u>61,261</u>	<u>74,246</u>	<u>860,560</u>
EXPENDITURES			
General Fund	19,691	19,000	34,000
Debt Service Fund	13,487	316	486
Capital Projects Fund	-	-	735,000
Total expenditures	<u>33,178</u>	<u>19,316</u>	<u>769,486</u>
Total expenditures and transfers out requiring appropriation	<u>33,178</u>	<u>19,316</u>	<u>769,486</u>
ENDING FUND BALANCES	<u>\$ 28,083</u>	<u>\$ 54,930</u>	<u>\$ 91,074</u>
EMERGENCY RESERVE	\$ 700	\$ 700	\$ 1,100
TOTAL RESERVE	<u>\$ 700</u>	<u>\$ 700</u>	<u>\$ 1,100</u>

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,

1/17/24

ACTUAL	ESTIMATED	BUDGET
2022	2023	2024

ASSESSED VALUATION

Commercial	560,000	560,000	716,520
State assessed	-	4,500	-
Vacant land	1,221,490	1,221,490	2,140,440
Personal property	204,450	323,630	382,890
Natural resources	20	20	20
Certified Assessed Value	\$ 1,985,960	\$ 2,109,640	\$ 3,239,870

MILL LEVY

General	10.000	10.000	10.000
Debt Service	10.000	10.000	10.000
Total mill levy	20.000	20.000	20.000

PROPERTY TAXES

General	\$ 19,860	\$ 21,096	\$ 32,399
Debt Service	19,860	21,096	32,399
Levied property taxes	39,720	42,192	64,798
Budgeted property taxes	\$ 39,720	\$ 42,192	\$ 64,798

BUDGETED PROPERTY TAXES

General	\$ 19,860	\$ 21,096	\$ 32,399
Debt Service	19,860	21,096	32,399
	\$ 39,720	\$ 42,192	\$ 64,798

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,

1/17/24

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCES	\$ 17,907	\$ 19,832	\$ 23,913
REVENUES			
Property taxes	19,860	21,096	32,399
Specific ownership taxes	1,756	1,985	2,916
Total revenues	<u>21,616</u>	<u>23,081</u>	<u>35,315</u>
TRANSFERS IN			
Total funds available	<u>39,523</u>	<u>42,913</u>	<u>59,228</u>
EXPENDITURES			
General and administrative			
Accounting	6,061	7,000	7,500
County Treasurer's fee	298	316	486
Dues and membership	257	258	350
Insurance	1,895	2,436	3,200
Legal	9,528	5,000	8,000
Miscellaneous	-	1,050	-
Election	1,652	2,040	-
Contingency	-	-	3,864
Website	-	900	600
Operations and maintenance			
Pond maintenance	-	-	10,000
Total expenditures	<u>19,691</u>	<u>19,000</u>	<u>34,000</u>
TRANSFERS OUT			
Total expenditures and transfers out requiring appropriation	<u>19,691</u>	<u>19,000</u>	<u>34,000</u>
ENDING FUND BALANCES	<u>\$ 19,832</u>	<u>\$ 23,913</u>	<u>\$ 25,228</u>
EMERGENCY RESERVE	<u>\$ 700</u>	<u>\$ 700</u>	<u>\$ 1,100</u>
TOTAL RESERVE	<u>\$ 700</u>	<u>\$ 700</u>	<u>\$ 1,100</u>

No assurance provided. See summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,

1/17/24

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCES	\$ 122	\$ 8,251	\$ 31,016
REVENUES			
Property taxes	19,860	21,096	32,399
Specific ownership taxes	1,756	1,985	2,916
Total revenues	<u>21,616</u>	<u>23,081</u>	<u>35,315</u>
Total funds available	<u>21,738</u>	<u>31,332</u>	<u>66,331</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	298	316	486
Repay developer advance	13,189	-	-
Total expenditures	<u>13,487</u>	<u>316</u>	<u>486</u>
Total expenditures and transfers out requiring appropriation	<u>13,487</u>	<u>316</u>	<u>486</u>
ENDING FUND BALANCES	<u>\$ 8,251</u>	<u>\$ 31,016</u>	<u>\$ 65,845</u>

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
2024 BUDGET
WITH 2022 ACTUAL AND 2023 ESTIMATED
For the Years Ended and Ending December 31,

1/17/24

	ACTUAL 2022	ESTIMATED 2023	BUDGET 2024
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Developer advance	-	-	735,000
Total revenues	<u>-</u>	<u>-</u>	<u>735,000</u>
Total funds available	<u>-</u>	<u>-</u>	<u>735,000</u>
EXPENDITURES			
General and Administrative			
Capital Projects			
Capital outlay	-	-	735,000
Total expenditures	<u>-</u>	<u>-</u>	<u>735,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>735,000</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
2024 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 No. 1 and No. 2, the District is permitted to issue bond indebtedness not to exceed \$30,000,000 combined for both Districts. 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 Colorado Revised Statutes 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.

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.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
2024 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Property Taxes (continued)

For property tax collection year 2024, SB22-238 and SB23B-001 set the assessment rates and actual value reductions as follows:

Category	Rate		Category	Rate	Actual Value Reduction	Amount
Single-Family Residential	6.70%		Agricultural Land	26.40%	Single-Family Residential	\$55,000
Multi-Family Residential	6.70%		Renewable Energy Land	26.40%	Multi-Family Residential	\$55,000
Commercial	27.90%		Vacant Land	27.90%	Commercial	\$30,000
Industrial	27.90%		Personal Property	27.90%	Industrial	\$30,000
Lodging	27.90%		State Assessed	27.90%	Lodging	\$30,000
			Oil & Gas Production	87.50%		

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.

Developer Advance

The District is in the development stage. As such major portion of the capital expenditures are expected to be funded by the Developer. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer from bond proceeds and other legally available revenue.

Expenditures

Administrative and Operating Expenditures

Operating and administrative expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, accounting, insurance, and dues.

Capital Outlay

The District anticipates infrastructure improvements during 2024.

County Treasurer's Fees

County Treasurer's collection fees are computed at 1.5% of the District's property taxes.

Operating and Capital Leases

The District has no operating or capital leases.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
2024 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 2024, as defined under TABOR.

This information is an integral part of the accompanying budget.

EXHIBIT B
2023 Audit Exemption Application

APPLICATION FOR EXEMPTION FROM AUDIT**SHORT FORM**NAME OF GOVERNMENT
ADDRESS

Cottonwood Highlands Metropolitan District No. 2
8390 East Crescent Parkway
Suite 300
Greenwood Village, CO 80111-2814

For the Year Ended
12/31/23
or fiscal year ended:CONTACT PERSON
PHONE
EMAIL

Jason Carroll
303-779-5710
jason.carroll@claconnect.com

PART 1 - CERTIFICATION OF PREPARER

I certify that I am skilled in governmental accounting and that the information in the application is complete and accurate, to the best of my knowledge.

NAME:
TITLE
FIRM NAME (if applicable)
ADDRESS
PHONE

Jason Carroll
Accountant for the District
CliftonLarsonAllen LLP
8390 East Crescent Parkway, Suite 300, Greenwood Village, CO 80111-2814
303-779-5710

PREPARER (SIGNATURE REQUIRED)**DATE PREPARED**

SEE ACCOUNTANT'S COMPILATION REPORT

2/19/2024

Please indicate whether the following financial information is recorded
using Governmental or Proprietary fund types**GOVERNMENTAL**
(MODIFIED ACCRUAL BASIS)**PROPRIETARY**
(CASH OR BUDGETARY BASIS)

PART 2 - REVENUE

REVENUE: All revenues for all funds must be reflected in this section, including proceeds from the sale of the government's land, building, and equipment, and proceeds from debt or lease transactions. Financial information will not include fund equity information.

Line#	Description	Round to nearest Dollar	Please use this space to provide any necessary explanations
2-1	Taxes: Property (report mills levied in Question 10-6)	\$ 42,193	Please use this space to provide any necessary explanations
2-2	Specific ownership	\$ 3,913	
2-3	Sales and use	\$ -	
2-4	Other (specify):	\$ -	
2-5	Licenses and permits	\$ -	
2-6	Intergovernmental: Grants	\$ -	
2-7	Conservation Trust Funds (Lottery)	\$ -	
2-8	Highway Users Tax Funds (HUTF)	\$ -	
2-9	Other (specify):	\$ -	
2-10	Charges for services	\$ -	
2-11	Fines and forfeits	\$ -	
2-12	Special assessments	\$ -	
2-13	Investment income	\$ -	
2-14	Charges for utility services	\$ -	
2-15	Debt proceeds (should agree with line 4-4, column 2)	\$ -	
2-16	Lease proceeds	\$ -	
2-17	Developer Advances received (should agree with line 4-4)	\$ -	
2-18	Proceeds from sale of capital assets	\$ -	
2-19	Fire and police pension	\$ -	
2-20	Donations	\$ -	
2-21	Other (specify):	\$ -	
2-22		\$ -	
2-23		\$ -	
2-24	(add lines 2-1 through 2-23) TOTAL REVENUE	\$ 46,106	

PART 3 - EXPENDITURES/EXPENSES

EXPENDITURES: All expenditures for all funds must be reflected in this section, including the purchase of capital assets and principal and interest payments on long-term debt. Financial information will not include fund equity information.

Line#	Description	Round to nearest Dollar	Please use this space to provide any necessary explanations
3-1	Administrative	\$ 1,258	Please use this space to provide any necessary explanations
3-2	Salaries	\$ -	
3-3	Payroll taxes	\$ -	
3-4	Contract services	\$ -	
3-5	Employee benefits	\$ -	
3-6	Insurance	\$ 2,686	
3-7	Accounting and legal fees	\$ 16,461	
3-8	Repair and maintenance	\$ -	
3-9	Supplies	\$ -	
3-10	Utilities and telephone	\$ -	
3-11	Fire/Police	\$ -	
3-12	Streets and highways	\$ -	
3-13	Public health	\$ -	
3-14	Capital outlay	\$ -	
3-15	Utility operations	\$ -	
3-16	Culture and recreation	\$ -	
3-17	Debt service principal (should agree with Part 4)	\$ -	
3-18	Debt service interest	\$ -	
3-19	Repayment of Developer Advance Principal (should agree with line 4-4)	\$ -	
3-20	Repayment of Developer Advance Interest	\$ -	
3-21	Contribution to pension plan (should agree to line 7-2)	\$ -	
3-22	Contribution to Fire & Police Pension Assoc. (should agree to line 7-2)	\$ -	
3-23	Other (specify):	\$ -	
3-24	County Treasurer's Fees	\$ 633	
3-25		\$ -	
3-26	(add lines 3-1 through 3-24) TOTAL EXPENDITURES/EXPENSES	\$ 21,037	

If TOTAL REVENUE (Line 2-24) or TOTAL EXPENDITURES (Line 3-26) are GREATER than \$100,000 - **STOP**. You may not use this form. Please use the "Application for Exemption from Audit - LONG FORM".

PART 4 - DEBT OUTSTANDING, ISSUED, AND RETIRED

Please answer the following questions by marking the appropriate boxes.

		Yes	No
4-1	Does the entity have outstanding debt? If Yes, please attach a copy of the entity's Debt Repayment Schedule.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4-2	Is the debt repayment schedule attached? If no, MUST explain below: <div style="border: 1px solid black; padding: 2px; margin-top: 5px;">N/A</div>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4-3	Is the entity current in its debt service payments? If no, MUST explain below: <div style="border: 1px solid black; padding: 2px; margin-top: 5px;">N/A</div>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4-4	Please complete the following debt schedule, if applicable: (please only include principal amounts)(enter all amount as positive numbers)		
	General obligation bonds	\$ -	\$ -
	Revenue bonds	\$ -	\$ -
	Notes/Loans	\$ -	\$ -
	Lease & SBITA** Liabilities [GASB 87 & 96]	\$ -	\$ -
	Developer Advances	\$ -	\$ -
	Other (specify):	\$ -	\$ -
	TOTAL	\$ -	\$ -

****Subscription Based Information Technology Arrangements**

***Must agree to prior year-end balance**

Please answer the following questions by marking the appropriate boxes.

		Yes	No
4-5	Does the entity have any authorized, but unissued, debt?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
If yes:	How much? \$ 330,000,000.00		
	Date the debt was authorized: 11/4/2014		
4-6	Does the entity intend to issue debt within the next calendar year?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If yes:	How much? \$ -		
4-7	Does the entity have debt that has been refinanced that it is still responsible for?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If yes:	What is the amount outstanding? \$ -		
4-8	Does the entity have any lease agreements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
If yes:	What is being leased? What is the original date of the lease? Number of years of lease?		
	Is the lease subject to annual appropriation? What are the annual lease payments? \$ -	<input type="checkbox"/>	<input type="checkbox"/>

Part 4 - Please use this space to provide any explanations/comments or attach separate documentation, if needed

PART 5 - CASH AND INVESTMENTS

Please provide the entity's cash deposit and investment balances.

		Amount	Total
5-1	YEAR-END Total of ALL Checking and Savings Accounts	\$ 55,317	
5-2	Certificates of deposit	\$ -	
Total Cash Deposits			\$ 55,317
Investments (if investment is a mutual fund, please list underlying investments):			
		\$ -	
		\$ -	
5-3		\$ -	
		\$ -	
Total Investments			\$ -
Total Cash and Investments			\$ 55,317

Please answer the following questions by marking in the appropriate boxes

		Yes	No	N/A
5-4	Are the entity's Investments legal in accordance with Section 24-75-601, et. seq., C.R.S.?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5-5	Are the entity's deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no, MUST use this space to provide any explanations:

PART 6 - CAPITAL AND RIGHT-TO-USE ASSETS

Please answer the following questions by marking in the appropriate boxes.

Yes No

- 6-1 Does the entity have capital assets? Yes No
- 6-2 Has the entity performed an annual inventory of capital assets in accordance with Section 29-1-506, C.R.S.,? If no, **MUST** explain: Yes No

The District has no capital assets.

6-3 Complete the following capital & right-to-use assets table:

Complete the following capital & right-to-use assets table:	Balance - beginning of the year*	Additions (Must be included in Part 3)	Deletions	Year-End Balance
Land	\$ -	\$ -	\$ -	\$ -
Buildings	\$ -	\$ -	\$ -	\$ -
Machinery and equipment	\$ -	\$ -	\$ -	\$ -
Furniture and fixtures	\$ -	\$ -	\$ -	\$ -
Infrastructure	\$ -	\$ -	\$ -	\$ -
Construction In Progress (CIP)	\$ -	\$ -	\$ -	\$ -
Leased & SBITA Right-to-Use Assets	\$ -	\$ -	\$ -	\$ -
Other (explain):	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation/Amortization (Please enter a negative, or credit, balance)	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ -	\$ -	\$ -	\$ -

*must tie to prior year ending balance

Part 6 - Please use this space to provide any explanations/comments or attach documentation, if needed:

PART 7 - PENSION INFORMATION

Please answer the following questions by marking in the appropriate boxes.

Yes No

- 7-1 Does the entity have an "old hire" firefighters' pension plan? Yes No
- 7-2 Does the entity have a volunteer firefighters' pension plan? Yes No

If yes: Who administers the plan?

Indicate the contributions from:

Tax (property, SO, sales, etc.):	\$ -
State contribution amount:	\$ -
Other (gifts, donations, etc.):	\$ -
TOTAL	\$ -

What is the monthly benefit paid for 20 years of service per retiree as of Jan 1? \$ -

Part 7 - Please use this space to provide any explanations or comments:

PART 8 - BUDGET INFORMATION

Please answer the following questions by marking in the appropriate boxes.

Yes No N/A

- 8-1 Did the entity file a budget with the Department of Local Affairs for the current year in accordance with Section 29-1-113 C.R.S.? If no, **MUST** explain: Yes No N/A

- 8-2 Did the entity pass an appropriations resolution, in accordance with Section 29-1-108 C.R.S.? If no, **MUST** explain: Yes No N/A

If yes: Please indicate the amount budgeted for each fund for the year reported:

Governmental/Proprietary Fund Name	Total Appropriations By Fund
General Fund	\$ 22,000
Debt Service Fund	\$ 316
Capital Projects Fund	\$ 735,000

PART 9 - TAXPAYER'S BILL OF RIGHTS (TABOR)

Please answer the following question by marking in the appropriate box

Yes

No

9-1 Is the entity in compliance with all the provisions of TABOR [State Constitution, Article X, Section 20(5)]?

Note: An election to exempt the government from the spending limitations of TABOR does not exempt the government from the 3 percent emergency reserve requirement. All governments should determine if they meet this requirement of TABOR.

If no, MUST explain:

PART 10 - GENERAL INFORMATION

Please answer the following questions by marking in the appropriate boxes.

Yes

No

10-1 Is this application for a newly formed governmental entity?

If yes: Date of formation:

10-2 Has the entity changed its name in the past or current year?

If yes: Please list the NEW name & PRIOR name:

10-3 Is the entity a metropolitan district?

Please indicate what services the entity provides:

See below.

10-4 Does the entity have an agreement with another government to provide services?

If yes: List the name of the other governmental entity and the services provided:

See below.

10-5 Has the district filed a Title 32, Article 1 Special District Notice of Inactive Status during

If yes: Date Filed:

10-6 Does the entity have a certified Mill Levy?

If yes:

Please provide the following mills levied for the year reported (do not report \$ amounts):

Bond Redemption mills	10.000
General/Other mills	10.000
Total mills	20.000

Yes

No

N/A

10-7 **NEW 2023!** If the entity is a Title 32 Special District formed on or after 7/1/2000, has the entity filed its preceding year annual report with the State Auditor as required under SB 21-262 [Section 32-1-207 C.R.S.]? If NO, please explain.

Please use this space to provide any additional explanations or comments not previously included:

10-3: Planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of public improvements.

10-4: The District has an agreement with the Town of Parker, Colorado and Cottonwood Highlands Metropolitan District No. 1 which authorizes the parties to cooperate and contract with one another regarding functions, services and facilities that each other is authorizes to provide.

PART 11 - GOVERNING BODY APPROVAL

Please answer the following question by marking in the appropriate box		YES	NO
12-1	If you plan to submit this form electronically, have you read the new Electronic Signature Policy?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Office of the State Auditor — Local Government Division - Exemption Form Electronic Signatures Policy and Procedure



Policy - Requirements

The Office of the State Auditor Local Government Audit Division may accept an electronic submission of an application for exemption from audit that includes governing board signatures obtained through a program such as Docusign or Echosign. Required elements and safeguards are as follows:

- The preparer of the application is responsible for obtaining board signatures that comply with the requirement in Section 29-1-604 (3), C.R.S., that states the application shall be personally reviewed, approved, and signed by a majority of the members of the governing body.
- The application must be accompanied by the signature history document created by the electronic signature software. The signature history document must show when the document was created and when the document was emailed to the various parties, and include the dates the individual board members signed the document. The signature history must also show the individuals' email addresses and IP address.
- Office of the State Auditor staff will not coordinate obtaining signatures.

The application for exemption from audit form created by our office includes a section for governing body approval. Local governing boards note their approval and submit the application through one of the following three methods:

- 1) Submit the application in hard copy via the US Mail including original signatures.
- 2) Submit the application electronically via email and either,
 - a. Include a copy of an adopted resolution that documents formal approval by the Board, **or**
 - b. Include electronic signatures obtained through a software program such as Docusign or Echosign in accordance with the requirements noted above.

Print the names of ALL members of current governing body below.		A MAJORITY of the members of the governing body must sign below.
Board Member 1	Print Board Member's Name	I, Clay Carlson, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed  _____ Date: <u>2/29/2024</u> My term Expires: <u>May 2025</u>
	Clay Carlson	
Board Member 2	Print Board Member's Name	I, Kent Carlson, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: <u>May 2025</u>
	Kent Carlson	
Board Member 3	Print Board Member's Name	I, Scott Carlson, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed  _____ Date: <u>2/29/2024</u> My term Expires: <u>May 2025</u>
	Scott Carlson	
Board Member 4	Print Board Member's Name	I _____, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: _____
Board Member 5	Print Board Member's Name	I _____, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: _____
Board Member 6	Print Board Member's Name	I _____, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: _____
Board Member 7	Print Board Member's Name	I _____, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: _____



CliftonLarsonAllen LLP
8390 East Crescent Parkway, Suite 300
Greenwood Village, CO 80111
phone 303-779-5710 **fax** 303-779-0348
claconnect.com

Accountant's Compilation Report

Board of Directors
Cottonwood Highlands Metropolitan District No. 2
Douglas County, Colorado

Management is responsible for the accompanying Application for Exemption from Audit of Cottonwood Highlands Metropolitan District No. 2 as of and for the year ended December 31, 2023, included in the accompanying prescribed form. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements included in the accompanying prescribed form nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial statements included in the accompanying prescribed form.

The Application for Exemption from Audit is presented in accordance with the requirements of the Colorado Office of the State Auditor, which differ from accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Colorado Office of the State Auditor and is not intended to be and should not be used by anyone other than this specified party.

We are not independent with respect to Cottonwood Highlands Metropolitan District No. 2.

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

Greenwood Village, Colorado
February 19, 2024

Certificate Of Completion

Envelope Id: C870DD22DAA740919C6A8A3D512DCCCE	Status: Completed
Subject: Complete with DocuSign: 2023 Audit Exemption.pdf	
Client Name: Cottonwood Highlands MD No. 2	
Client Number: A342722	
Source Envelope:	
Document Pages: 8	Signatures: 2
Certificate Pages: 5	Initials: 0
AutoNav: Enabled	Envelope Originator:
Enveloped Stamping: Enabled	Jacob Theisen
Time Zone: (UTC-06:00) Central Time (US & Canada)	220 S 6th St Ste 300
	Minneapolis, MN 55402-1418
	Jacob.Theisen@claconnect.com
	IP Address: 4.2.161.250

Record Tracking

Status: Original	Holder: Jacob Theisen	Location: DocuSign
2/29/2024 2:47:23 PM	Jacob.Theisen@claconnect.com	

Signer Events

Clay Carlson
 claycarlson@carlsonland.net
 Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:

 69394080773B400...

Timestamp

Sent: 2/29/2024 2:58:43 PM
 Viewed: 2/29/2024 3:14:18 PM
 Signed: 2/29/2024 3:14:30 PM

Signature Adoption: Pre-selected Style
 Using IP Address: 74.92.209.221

Electronic Record and Signature Disclosure:

Accepted: 2/29/2024 3:14:18 PM
 ID: 85f449da-978a-4ad5-a683-19c6773fdf5a

Scott Carlson
 scottcarlson@carlsonland.net
 Security Level: Email, Account Authentication (None)

DocuSigned by:

 1CDCCFFEE80064DC...

Sent: 2/29/2024 2:58:44 PM
 Viewed: 2/29/2024 3:40:59 PM
 Signed: 2/29/2024 3:41:08 PM

Signature Adoption: Pre-selected Style
 Using IP Address: 74.92.209.221

Electronic Record and Signature Disclosure:

Accepted: 2/29/2024 3:40:59 PM
 ID: 66142825-6323-4c00-8611-df4144c26a9b

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	2/29/2024 2:58:45 PM
Envelope Updated	Security Checked	3/4/2024 12:56:43 PM
Certified Delivered	Security Checked	2/29/2024 3:40:59 PM
Signing Complete	Security Checked	2/29/2024 3:41:08 PM
Completed	Security Checked	3/4/2024 12:56:43 PM

Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, CliftonLarsonAllen LLP (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

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At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact CliftonLarsonAllen LLP:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: BusinessTechnology@CLAconnect.com

To advise CliftonLarsonAllen LLP of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at BusinessTechnology@CLAconnect.com and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

If you created a DocuSign account, you may update it with your new email address through your account preferences.

To request paper copies from CliftonLarsonAllen LLP

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to BusinessTechnology@CLAconnect.com and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with CliftonLarsonAllen LLP

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;

ii. send us an email to BusinessTechnology@CLAconnect.com and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

By selecting the check-box next to 'I agree to use electronic records and signatures', you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify CliftonLarsonAllen LLP as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by CliftonLarsonAllen LLP during the course of your relationship with CliftonLarsonAllen LLP.

EXHIBIT C

Certification on behalf of the Board of Directors

STATE OF COLORADO

COUNTY OF DOUGLAS

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICTS NO. 2

White Bear Ankele Tanaka & Waldron P.C., acting general counsel and authorized representative for the Board of Directors of the above District for this 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.

WHITE BEAR ANKELE TANAKA & WALDRON

Attorneys at Law

White Bear Ankele Tanaka & Waldron