

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1

2019 ANNUAL REPORT TO THE TOWN OF PARKER

Pursuant to its Service Plan (Section VII) and by Section 10.11.040 of the Town Code, the Cottonwood Highlands Metropolitan District No. 1 (the “**District**”), by September 1 of each year, is required to provide an annual report to the Town of Parker with regard to the following matters:

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

The Developer (Lennar) was active with major public improvement construction within the District in 2019.

2. Except when exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the District for the report year including a statement of financial condition (i.e., balance sheet) as of December 31 of the report year and the statement of operations (i.e., revenues and expenditures) for the report year

The 2019 Audit is attached.

3. 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 was installed by the Developer and has been reimbursed by the District upon receipt of an independent engineering cost certification.

4. 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.

On April 24, 2019, the District issued 2019A Bond in the amount of \$14,970,000 and 2019B Bond in the amount of \$4,185,000.

The District’s 2019 mill levy pledged to Debt retirement: 47.678

The District’s total 2019 assessed valuation: \$12,623,250

5. The District’s budget for the calendar year in which the annual report is submitted.

*The District's 2019 Budget is attached as **Exhibit A**.*

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

The District is a residential only district. Public infrastructure construction along with residential home construction and sales occurred in 2019.

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

For 2019: \$40/month Operation Fees for Residential Units; and \$500 Working Capital Fee for Residential Units (upon each ownership transfer).

8. 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 B** is the certification given on behalf of Board of Directors that no action, event or condition enumerated in Section 10.11.060 occurred in 2019.*

9. 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:

*John Cheney (land owner/ developer- Lennar)
Jill Luchs (land owner/ developer- Lennar)
Debra Hessler (land owner/ developer-Lennar)
Jennifer S. Waiton (land owner/ developer-Lennar)
Ryan Foristal (Resident)*

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 Wednesday of each quarter at 2:00 p.m., 9193 South Jamaica Street, 4th Floor, Englewood, CO, and held on an as needed basis

10. 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 2019 as no privately placed debt was issued by the District

EXHIBIT A
2019 BUDGET



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Accountant's Compilation Report

Board of Directors
Cottonwood Highlands Metropolitan District No. 1

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Cottonwood Highlands Metropolitan District No. 1 for the year ending December 31, 2019, including the estimate of comparative information for the year ending December 31, 2018, and the actual comparative information for the year ended December 31, 2017, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). 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 AICPA. We did not audit or review the budget 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 accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Cottonwood Highlands Metropolitan District No. 1.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 3, 2019



An independent member of Nexia International

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
SUMMARY
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,

1/3/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCES	\$ 20,413	\$ 42,495	\$ 243,516
REVENUES			
Property taxes	60,693	211,690	483,349
Specific ownership tax	6,648	21,169	48,335
Interest income	1	53	50
Operation and Maintenance Fee	-	49,000	115,000
Working capital fee	-	29,500	60,000
Late fees / penalties	-	3,031	-
Developer advance	40,150	54,800	50,786
Bond proceeds - Series 2019A	-	-	9,390,000
Bond proceeds - Series 2019B	-	-	1,528,000
Bond proceeds - Series 2019C	-	-	796,000
Total revenues	<u>107,492</u>	<u>369,243</u>	<u>12,471,520</u>
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>1,296,473</u>
Total funds available	<u>127,905</u>	<u>411,738</u>	<u>14,011,509</u>
EXPENDITURES			
General Fund	56,520	165,600	286,500
Debt Service Fund	28,890	2,622	301,771
Capital Projects Fund	-	-	568,580
Total expenditures	<u>85,410</u>	<u>168,222</u>	<u>1,156,851</u>
TRANSFERS OUT	<u>-</u>	<u>-</u>	<u>1,296,473</u>
Total expenditures and transfers out requiring appropriation	<u>85,410</u>	<u>168,222</u>	<u>2,453,324</u>
ENDING FUND BALANCES	<u>\$ 42,495</u>	<u>\$ 243,516</u>	<u>\$ 11,558,185</u>
EMERGENCY RESERVE	\$ 400	\$ 3,700	\$ 8,000
O&M RESERVE	-	24,000	24,000
TOTAL RESERVE	<u>\$ 400</u>	<u>\$ 27,700</u>	<u>\$ 32,000</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,

1/3/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
ASSESSED VALUATION			
Residential	\$ -	\$ 1,260,260	\$ 4,210,860
Commercial	-	-	31,640
Natural Resources	-	-	40
State assessed	-	-	23,700
Vacant land	1,148,890	2,431,130	4,162,260
Certified Assessed Value	<u>\$ 1,148,890</u>	<u>\$ 3,691,390</u>	<u>\$ 8,428,500</u>
MILL LEVY			
General	10.000	10.000	10.000
Debt Service	42.827	47.347	47.347
Total mill levy	<u>52.827</u>	<u>57.347</u>	<u>57.347</u>
PROPERTY TAXES			
General	\$ 11,489	\$ 36,914	\$ 84,285
Debt Service	49,204	174,776	399,064
Budgeted property taxes	<u>\$ 60,693</u>	<u>\$ 211,690</u>	<u>\$ 483,349</u>
BUDGETED PROPERTY TAXES			
General	\$ 11,489	\$ 36,914	\$ 84,285
Debt Service	49,204	174,776	399,064
	<u>\$ 60,693</u>	<u>\$ 211,690</u>	<u>\$ 483,349</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
GENERAL FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,

1/3/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ (7,720)	\$ (11,347)	\$ -
REVENUES			
Property taxes	11,489	36,914	84,285
Specific ownership tax	1,254	3,691	8,429
Operation and Maintenance Fee	-	49,000	115,000
Working capital fee	-	29,500	60,000
Late fees / penalties	-	3,031	-
Interest income	-	11	-
Developer advance	40,150	54,800	50,786
Total revenues	52,893	176,947	318,500
Total funds available	45,173	165,600	318,500
EXPENDITURES			
General and administrative			
Accounting	7,153	15,000	15,000
County Treasurer's fee	170	554	1,264
Dues and licenses	287	433	500
Insurance and bonds	2,605	2,598	2,800
District management	7,005	18,000	20,000
Legal services	33,971	22,000	30,000
Miscellaneous	102	360	350
Billing	-	-	6,500
Engineering	-	9,760	-
Contingency	-	-	1,186
Operations and maintenance			
Irrigation repairs and maintenance	-	5,500	8,000
Landscaping maintenance	-	32,000	70,000
Fence and sign maintenance	-	-	20,000
Snow Removal	-	8,000	12,000
Tree/ Plan Replacements	-	-	2,400
Park Maintenance	-	10,000	8,000
Electricity	5,227	3,000	4,500
Water	-	38,000	80,000
Weed/ Fertilization	-	-	4,000
Total expenditures	56,520	165,600	286,500
Total expenditures and transfers out requiring appropriation	56,520	165,600	286,500
ENDING FUND BALANCE	\$ (11,347)	\$ -	\$ 32,000
EMERGENCY RESERVE	\$ 400	\$ 3,700	\$ 8,000
O&M RESERVE	-	24,000	24,000
TOTAL RESERVE	\$ 400	\$ 27,700	\$ 32,000

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,

1/3/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ 28,133	\$ 53,842	\$ 243,516
REVENUES			
Property taxes	49,204	174,776	399,064
Specific ownership tax	5,394	17,478	39,906
Interest income	1	42	50
Total revenues	<u>54,599</u>	<u>192,296</u>	<u>439,020</u>
TRANSFERS IN			
Transfers from other funds	<u>-</u>	<u>-</u>	<u>1,296,473</u>
Total funds available	<u>82,732</u>	<u>246,138</u>	<u>1,979,009</u>
EXPENDITURES			
County Treasurer's fee	740	2,622	5,986
Repay developer advance	28,150	-	-
Debt Service			
Bond interest - Series 2019A Bonds	-	-	295,785
Total expenditures	<u>28,890</u>	<u>2,622</u>	<u>301,771</u>
Total expenditures and transfers out requiring appropriation	<u>28,890</u>	<u>2,622</u>	<u>301,771</u>
ENDING FUND BALANCE	<u>\$ 53,842</u>	<u>\$ 243,516</u>	<u>\$ 1,677,238</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
 CAPITAL PROJECTS FUND
 2019 BUDGET
 WITH 2017 ACTUAL AND 2018 ESTIMATED
 For the Years Ended and Ending December 31,**

1/3/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Bond proceeds - Series 2019A	-	-	9,390,000
Bond proceeds - Series 2019B	-	-	1,528,000
Bond proceeds - Series 2019C	-	-	796,000
Total revenues	<u>-</u>	<u>-</u>	<u>11,714,000</u>
Total funds available	<u>-</u>	<u>-</u>	<u>11,714,000</u>
EXPENDITURES			
General and Administrative			
Bond issue costs	-	-	303,100
Bond discount	-	-	265,480
Total expenditures	<u>-</u>	<u>-</u>	<u>568,580</u>
TRANSFERS OUT			
Transfers to other fund	<u>-</u>	<u>-</u>	<u>1,296,473</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>1,865,053</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,848,947</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
2019 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 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.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
2019 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 10% of the property taxes collected.

Operations and Maintenance Fee

The District assesses a monthly operations and maintenance fee of \$40 per home. The budget anticipates the collection of \$115,000 in 2019.

Working Capital Fee

The District established a Working Capital Fee in order to pay for costs associated with account administration. The budget anticipates the collection of \$60,000 in 2019.

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.0%.

Developer Advance

The District is in the development stage. As such, some of the operating and administrative expenditures may be funded by the Developer.

Bond Issuance

During 2019, the District anticipates to issue general obligation bonds to pay for costs of public improvements, fund the capitalized interest and debt service reserve funds and pay for costs of issuance.

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.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
2019 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures – (continued)

Capital Outlay

The District does not anticipate infrastructure improvements during 2019.

Operating and Capital Leases

The District has no operating or capital leases.

Reserves

Emergency Reserve

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2019, as defined under TABOR.

EXHIBIT B

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 for this annual report, hereby certifies, on the Board's behalf, that during the year 2019, 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

WHITE BEAR ANKELE TANAKA & WALDRON

Attorneys at Law