

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**2016 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 2016.*

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 District qualified for an audit exemption for report year 2016.*

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.

*No capital expenditures were incurred by the District in 2016. Public infrastructure construction is being done by the Developer (Lennar) who is expected to seek reimbursement from the District starting in 2017.*

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.

*The District has not issued Debt.*

*The District's 2016 mill levy pledged to Debt retirement: 42.827 (for anticipated 2017 bond issue)*

*The District's total 2016 assessed valuation: \$1,148,890*

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

*The District's 2017 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. Lennar was active with public infrastructure construction along with residential home construction and sales in 2016.*

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

*None.*

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 2016.*

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)*

*Mike Pekas (land owner/ developer-Lennar)*

*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 Wednesday of each quarter at 2:00 p.m., 9781 S. Meridian Blvd., #120, Englewood, Colorado.*

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

*The District has not engaged an External Financial Advisor because it has no current need for such services as Lennar has yet to seek reimbursement for the first phase of public infrastructure costs it has been installing, and therefore financing (i.e. Debt/Bonds) for such reimbursement is premature.*

**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, hereby certifies, on the Board's behalf, that during the year 2016, 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*

**EXHIBIT A**  
**2017 BUDGET**



CliftonLarsonAllen

CliftonLarsonAllen LLP  
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## Accountant's Compilation Report

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

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, 2017, including the estimate of comparative information for the year ending December 31, 2016, and the actual comparative information for the year ending December 31, 2015, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. 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 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.

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  
December 20, 2016

**COTTONWOOD HIGHLANDS METRO DISTRICT NO. 1**  
**SUMMARY**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/20/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 35,846
<b>REVENUES</b>			
1 Property taxes	-	32,216	60,693
2 Specific ownership taxes	-	2,916	5,460
3 Developer advance	7,721	42,000	42,000
4 Net investment income	-	11	25
Total revenues	7,721	77,143	108,178
Total funds available	7,721	77,143	144,024
<b>EXPENDITURES</b>			
5 General and administration			
6 Accounting	-	12,500	12,500
7 Contingency	-	-	1,830
8 County Treasurer's fees	-	91	170
9 Dues and membership	-	200	500
10 Engineering Services	-	1,297	-
11 Insurance	-	1,816	2,000
12 Legal	7,721	25,000	25,000
13 Debt service			
14 County Treasurer's fees	-	393	740
Total expenditures	7,721	41,297	42,740
Total expenditures and transfers out requiring appropriation	7,721	41,297	42,740
ENDING FUND BALANCES	\$ -	\$ 35,846	\$ 101,284
EMERGENCY RESERVE	\$ -	\$ 200	\$ 400
TOTAL RESERVE	\$ -	\$ 200	\$ 400

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

**COTTONWOOD HIGHLANDS METRO DISTRICT NO. 1**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

12/20/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
<b>ASSESSED VALUATION - DOUGLAS</b>			
Vacant Land	\$ -	\$ 609,840	\$ 1,148,890
Certified Assessed Value	<u>\$ -</u>	<u>\$ 609,840</u>	<u>\$ 1,148,890</u>
<b>MILL LEVY</b>			
GENERAL FUND	-	10.000	10.000
DEBT SERVICE FUND	-	42.827	42.827
Total Mill Levy	<u>-</u>	<u>52.827</u>	<u>52.827</u>
<b>PROPERTY TAXES</b>			
GENERAL FUND	\$ -	\$ 6,098	\$ 11,489
DEBT SERVICE FUND	-	26,118	49,204
Budgeted Property Taxes	<u>\$ -</u>	<u>\$ 32,216</u>	<u>\$ 60,693</u>
<b>BUDGETED PROPERTY TAXES</b>			
GENERAL FUND	\$ -	\$ 6,098	\$ 11,489
DEBT SERVICE FUND	-	26,118	49,204
	<u>\$ -</u>	<u>\$ 32,216</u>	<u>\$ 60,693</u>

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

**COTTONWOOD HIGHLANDS METRO DISTRICT NO. 1**  
**GENERAL FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/20/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 7,748
<b>REVENUES</b>			
1 Property taxes	-	6,098	11,489
2 Specific ownership taxes	-	554	1,030
3 Developer advance	7,721	42,000	42,000
Total revenues	7,721	48,652	54,519
Total funds available	7,721	48,652	62,267
<b>EXPENDITURES</b>			
General and administration			
4 Accounting	-	12,500	12,500
5 Contingency	-	-	1,830
6 County Treasurer's fees	-	91	170
7 Dues and membership	-	200	500
8 Engineering Services	-	1,297	-
9 Insurance	-	1,816	2,000
10 Legal	7,721	25,000	25,000
Total expenditures	7,721	40,904	42,000
Total expenditures and transfers out requiring appropriation	7,721	40,904	42,000
ENDING FUND BALANCES	\$ -	\$ 7,748	\$ 20,267
EMERGENCY RESERVE	\$ -	\$ 200	\$ 400
TOTAL RESERVE	\$ -	\$ 200	\$ 400

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



**COTTONWOOD HIGHLANDS METRO DISTRICT NO. 1**  
**DEBT SERVICE FUND**  
**2017 BUDGET AS ADOPTED**  
**WITH 2015 ACTUAL AND 2016 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/20/2016

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 28,098
REVENUES			
1 Property taxes	-	26,118	49,204
2 Specific ownership taxes	-	2,362	4,430
3 Net investment income	-	11	25
Total revenues	-	28,491	53,659
Total funds available	-	28,491	81,757
EXPENDITURES			
Debt service			
4 County Treasurer's fees	-	393	740
Total expenditures	-	393	740
Total expenditures and transfers out requiring appropriation	-	393	740
ENDING FUND BALANCES	\$ -	\$ 28,098	\$ 81,017

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**  
**2017 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.

**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 page 3 of the Budget at a total mill levy of 52.827 mills, of which 10.000 mills is for operations and 42.827 mills is for debt service.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1  
2017 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues - (continued)**

**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 0.50%.

**Developer Advance**

The District is in the development stage. As such, the operating and administrative expenditures will be mainly funded by the Developer.

**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, insurance and meeting expense. Estimated expenditures related to street repairs and maintenance, street lights, street sweeping, landscaping, mowing, parks and open space maintenance, utilities and snow removal were also included the General Fund budget.

**Capital Outlay**

The District does not anticipate infrastructure improvements during 2017.

**Debt Service**

The District does not have any debt at this time.

**Operating and Capital Leases**

The District has no operating leases.

**Reserves**

**Emergency Reserve**

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2017, as defined under TABOR.

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