

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1

2017 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 2017.

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 2017.

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 is being installed by the Developer subject to reimbursement by the District upon 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.

As of December 31, 2017, the District has not issued Debt.

The District’s 2017 mill levy pledged to Debt retirement: 47.347 (for anticipated 2018 bond issue)

The District’s total 2017 assessed valuation: \$3,691,390

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

*The District's 2018 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 2017.

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

No fees were imposed in 2017. In 2018 there will be Operational Fees and Working Capital Fees.

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 2017.*

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 A
2018 BUDGET



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAAconnect.com

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, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, 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
January 9, 2018



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COTTONWOOD HIGHLANDS METRO DISTRICT NO. 1
SUMMARY
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/9/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ 20,413	\$ 81,768
REVENUES			
1 Property taxes	32,216	60,693	211,690
2 Specific ownership taxes	2,964	6,199	21,169
3 System development fees	-	-	126,000
4 Developer advance	16,498	36,000	12,000
5 Net investment income	8	2	25
6 Operations and Maintenance fee	-	-	43,740
Total revenues	<u>51,686</u>	<u>102,894</u>	<u>414,624</u>
Total funds available	<u>51,686</u>	<u>123,307</u>	<u>496,392</u>
EXPENDITURES			
7 General and administration			
8 Accounting	8,881	8,000	10,500
9 Contingency	-	-	2,691
10 County Treasurer's fees	91	170	554
11 District management	-	3,000	26,400
12 Dues and membership	200	287	500
13 Election	-	-	2,000
14 Engineering	1,399	-	-
15 Insurance	1,816	2,355	2,500
16 Legal	18,493	25,000	30,000
17 Repayment of Developer advance	-	1,987	2,000
18 Operations and maintenance			
19 Electricity	-	-	1,500
20 Fence repair and maintenance	-	-	20,000
21 Landscaping maintenance	-	-	35,000
22 Park maintenance	-	-	6,000
23 Snow removal	-	-	8,000
24 Tree/Plan Replacements	-	-	2,400
25 Water	-	-	40,000
26 Weed/fertilization	-	-	2,000
27 Debt service			
28 County Treasurer's fees	393	740	2,622
Total expenditures	<u>31,273</u>	<u>41,539</u>	<u>194,667</u>
Total expenditures and transfers out requiring appropriation	<u>31,273</u>	<u>41,539</u>	<u>194,667</u>
ENDING FUND BALANCES	<u>\$ 20,413</u>	<u>\$ 81,768</u>	<u>\$ 301,725</u>
EMERGENCY RESERVE	\$ -	\$ 400	\$ 6,300
O&M Reserve	-	24,000	24,000
TOTAL RESERVE	<u>\$ -</u>	<u>\$ 24,400</u>	<u>\$ 30,300</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
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/9/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
ASSESSED VALUATION - DOUGLAS			
Residential	\$ -	\$ -	\$ 1,260,260
Vacant Land	609,840	1,148,890	2,431,130
Certified Assessed Value	<u>\$ 609,840</u>	<u>\$ 1,148,890</u>	<u>\$ 3,691,390</u>
MILL LEVY			
GENERAL FUND	10.000	10.000	10.000
DEBT SERVICE FUND	42.827	42.827	47.347
Total Mill Levy	<u>52.827</u>	<u>52.827</u>	<u>57.347</u>
PROPERTY TAXES			
GENERAL FUND	\$ 6,098	\$ 11,489	\$ 36,914
DEBT SERVICE FUND	26,118	49,204	174,776
Budgeted Property Taxes	<u>\$ 32,216</u>	<u>\$ 60,693</u>	<u>\$ 211,690</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 6,098	\$ 11,489	\$ 36,914
DEBT SERVICE FUND	26,118	49,204	174,776
	<u>\$ 32,216</u>	<u>\$ 60,693</u>	<u>\$ 211,690</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
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/9/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ (7,720)	\$ -
REVENUES			
1 Property taxes	6,098	11,489	36,914
2 Specific ownership taxes	562	1,030	3,691
3 System development fees	-	-	126,000
4 Developer advance	16,498	36,000	12,000
5 Net investment income	2	-	-
6 Operations and Maintenance fee	-	-	43,740
Total revenues	<u>23,160</u>	<u>48,519</u>	<u>222,345</u>
Total funds available	<u>23,160</u>	<u>40,799</u>	<u>222,345</u>
EXPENDITURES			
General and administration			
7 Accounting	8,881	8,000	10,500
8 Contingency	-	-	2,691
9 County Treasurer's fees	91	170	554
10 District management	-	3,000	26,400
11 Dues and membership	200	287	500
12 Election	-	-	2,000
13 Engineering	1,399	-	-
14 Insurance	1,816	2,355	2,500
15 Legal	18,493	25,000	30,000
16 Repayment of Developer advance	-	1,987	2,000
Operations and maintenance			
17 Electricity	-	-	1,500
18 Fence repair and maintenance	-	-	20,000
19 Landscaping maintenance	-	-	35,000
20 Park maintenance	-	-	6,000
21 Snow removal	-	-	8,000
22 Tree/Plan Replacements	-	-	2,400
23 Water	-	-	40,000
24 Weed/fertilization	-	-	2,000
Total expenditures	<u>30,880</u>	<u>40,799</u>	<u>192,045</u>
Total expenditures and transfers out requiring appropriation	<u>30,880</u>	<u>40,799</u>	<u>192,045</u>
ENDING FUND BALANCES	<u>\$ (7,720)</u>	<u>\$ -</u>	<u>\$ 30,300</u>
EMERGENCY RESERVE	\$ -	\$ 400	\$ 6,300
O&M Reserve	-	24,000	24,000
TOTAL RESERVE	<u>\$ -</u>	<u>\$ 24,400</u>	<u>\$ 30,300</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
DEBT SERVICE FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/9/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ 28,133	\$ 81,768
REVENUES			
1 Property taxes	26,118	49,204	174,776
2 Specific ownership taxes	2,402	5,169	17,478
3 Net investment income	6	2	25
Total revenues	28,526	54,375	192,279
Total funds available	28,526	82,508	274,047
EXPENDITURES			
Debt service			
4 County Treasurer's fees	393	740	2,622
Total expenditures	393	740	2,622
Total expenditures and transfers out requiring appropriation	393	740	2,622
ENDING FUND BALANCES	\$ 28,133	\$ 81,768	\$ 271,425

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
2018 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 the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
2018 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 10% of the property taxes collected.

System Development Fee

In 2018, the District will assess a system development fee of \$1,500 per lot, which is collected at the time the lot is sold. The budget anticipates the collection of system development fees for 84 lots in 2018.

Operations Fee

In 2018, the District will assess a monthly operations and maintenance fee of \$30 per home. The budget anticipates the collection of \$43,740 in 2018.

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, 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, fencing, 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 2018.

Debt Service

The District does not have any debt at this time.

Operating and Capital Leases

The District has no operating or capital leases.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
2018 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 2018, as defined under TABOR.

This information is an integral part of the accompanying budget.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of DOUGLAS COUNTY, Colorado.

On behalf of the COTTONWOOD HIGHLANDS METRO DISTRICT NO. 1,
(taxing entity)^A

the BOARD OF DIRECTORS,
(governing body)^B

of the COTTONWOOD HIGHLANDS METRO DISTRICT NO. 1,
(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 3,691,390 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 3,691,390 (NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57) USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 11/30/2017 for budget/fiscal year 2018.
(no later than Dec. 15) (mm/dd/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY ²	REVENUE ²
1. General Operating Expenses ^H	<u>10.000</u> mills	\$ <u>36,914</u>
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	< <u> </u> > mills	\$ < <u> </u> >
SUBTOTAL FOR GENERAL OPERATING:	10.000 mills	\$ 36,914
3. General Obligation Bonds and Interest ^J	<u>47.347</u> mills	\$ <u>174,776</u>
4. Contractual Obligations ^K	_____ mills	\$ _____
5. Capital Expenditures ^L	_____ mills	\$ _____
6. Refunds/Abatements ^M	_____ mills	\$ _____
7. Other ^N (specify): _____	_____ mills	\$ _____
	_____ mills	\$ _____
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	57.347 mills	\$ 211,690

Contact person: (print) Jason Carroll Daytime phone: (303) 779-5710
Signed: Jason Carroll Title: Accountant for the District

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 864-7720.

¹ If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's FINAL certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS¹:

1.	Purpose of Issue:	Public Improvements
	Series:	TBD
	Date of Issue:	TBD
	Coupon Rate:	TBD
	Maturity Date:	TBD
	Levy:	47.347
	Revenue:	\$174,776

2.	Purpose of Issue:	_____
	Series:	_____
	Date of Issue:	_____
	Coupon Rate:	_____
	Maturity Date:	_____
	Levy:	_____
	Revenue:	_____

CONTRACTS²:

3.	Purpose of Contract:	_____
	Title:	_____
	Date:	_____
	Principal Amount:	_____
	Maturity Date:	_____
	Levy:	_____
	Revenue:	_____

4.	Purpose of Contract:	_____
	Title:	_____
	Date:	_____
	Principal Amount:	_____
	Maturity Date:	_____
	Levy:	_____
	Revenue:	_____

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

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 2017, 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