

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
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. 2 (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.

Public improvement construction for the development within the District has yet to begin. District No. 2 is the commercial district and residential development will drive the demand for commercial development.

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.

No capital expenditures were incurred by this commercial District in 2017. Public infrastructure construction is expected to begin within the next five (5) years once residential development has progressed to the point that a demand is created for commercial development.

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 2017 mill levy pledged to Debt retirement: 20.000 (for anticipated future bonded debt service)

The District's total 2017 assessed valuation: \$1,090,420

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 commercial only district. No commercial development occurred in 2017.

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 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:

Taylor Carlson (land owner/ developer)

Kent Carlson (land owner/ developer)

Ryan 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.

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 the District has not commenced public infrastructure construction and therefore financing (i.e. Debt/Bonds) for such activity is not needed.

EXHIBIT A
2018 BUDGET



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Accountant's Compilation Report

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

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Cottonwood Highlands Metropolitan District No. 2 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. 2.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 4, 2018

COTTONWOOD HIGHLANDS METRO DISTRICT NO. 2
SUMMARY
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 1,780	\$ 11,357	\$ 300
REVENUES			
1 Property taxes	15,214	15,136	21,808
2 Specific ownership taxes	1,282	1,792	2,180
3 Developer advance	5,085	1,500	3,106
4 Net investment income	3	160	-
Total revenues	21,584	18,588	27,094
Total funds available	23,364	29,945	27,394
EXPENDITURES			
5 General and administration			
6 Accounting	5,661	5,000	5,500
7 Contingency	-	749	440
8 County Treasurer's fees	114	115	160
9 Dues and membership	150	248	350
10 Election	30	-	50
11 Insurance	2,355	2,355	3,000
12 Legal	3,583	4,500	5,500
13 Debt service			
14 County Treasurer's fees	114	115	160
15 Repay developer advance	-	16,563	11,834
Total expenditures	12,007	29,645	26,994
Total expenditures and transfers out requiring appropriation	12,007	29,645	26,994
ENDING FUND BALANCES	\$ 11,357	\$ 300	\$ 400
EMERGENCY RESERVE	\$ 300	\$ 300	\$ 400
TOTAL RESERVE	\$ 300	\$ 300	\$ 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. 2
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/4/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
ASSESSED VALUATION - DOUGLAS			
Vacant Land	\$ 760,720	\$ 756,830	\$ 1,090,420
Certified Assessed Value	<u>\$ 760,720</u>	<u>\$ 756,830</u>	<u>\$ 1,090,420</u>
MILL LEVY			
GENERAL FUND	10.000	10.000	10.000
DEBT SERVICE FUND	10.000	10.000	10.000
Total Mill Levy	<u>20.000</u>	<u>20.000</u>	<u>20.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ 7,607	\$ 7,568	\$ 10,904
DEBT SERVICE FUND	7,607	7,568	10,904
Budgeted Property Taxes	<u>\$ 15,214</u>	<u>\$ 15,136</u>	<u>\$ 21,808</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 7,607	\$ 7,568	\$ 10,904
DEBT SERVICE FUND	7,607	7,568	10,904
	<u>\$ 15,214</u>	<u>\$ 15,136</u>	<u>\$ 21,808</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. 2
GENERAL FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ 1,780	\$ 3,223	\$ 300
REVENUES			
1 Property taxes	7,607	7,568	10,904
2 Specific ownership taxes	641	896	1,090
3 Developer advance	5,085	1,500	3,106
4 Net investment income	3	80	-
Total revenues	13,336	10,044	15,100
Total funds available	15,116	13,267	15,400
EXPENDITURES			
General and administration			
5 Accounting	5,661	5,000	5,500
6 Contingency	-	749	440
7 County Treasurer's fees	114	115	160
8 Dues and membership	150	248	350
9 Election	30	-	50
10 Insurance	2,355	2,355	3,000
11 Legal	3,583	4,500	5,500
Total expenditures	11,893	12,967	15,000
Total expenditures and transfers out requiring appropriation	11,893	12,967	15,000
ENDING FUND BALANCES	\$ 3,223	\$ 300	\$ 400
EMERGENCY RESERVE	\$ 300	\$ 300	\$ 400
TOTAL RESERVE	\$ 300	\$ 300	\$ 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. 2
DEBT SERVICE FUND
2018 BUDGET AS ADOPTED
WITH 2016 ACTUAL AND 2017 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ 8,134	\$ -
REVENUES			
1 Property taxes	7,607	7,568	10,904
2 Specific ownership taxes	641	896	1,090
3 Net investment income	-	80	-
Total revenues	8,248	8,544	11,994
Total funds available	8,248	16,678	11,994
EXPENDITURES			
Debt service			
4 County Treasurer's fees	114	115	160
5 Repay developer advance	-	16,563	11,834
Total expenditures	114	16,678	11,994
Total expenditures and transfers out requiring appropriation	114	16,678	11,994
ENDING FUND BALANCES	\$ 8,134	\$ -	\$ -

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. 2
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 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.

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
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.

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.

Capital Outlay

The District does not anticipate infrastructure improvements during 2018.

Debt Service

The Districts does not have any debt at this time.

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 2018, as defined under TABOR.

This information is an integral part of the accompanying budget.

EXHIBIT B

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, 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