

COTTONWOOD METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2016



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Independent Auditor's Report

Board of Directors
Cottonwood Metropolitan District
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Cottonwood Metropolitan District (District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cottonwood Metropolitan District, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Conservation Trust Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 27, 2017

BASIC FINANCIAL STATEMENTS

**COTTONWOOD METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2016**

ASSETS

Cash deposits	\$ 464,033
Due from other government	1,970
Prepaid insurance	9,955
Property taxes receivable	420,860
Capital assets, not being depreciated	832,535
Capital assets, being depreciated, net of accumulated depreciation	<u>641,372</u>
Total assets	<u><u>2,370,725</u></u>

LIABILITIES

Accounts payable	<u>15,148</u>
Total liabilities	<u><u>15,148</u></u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	<u>420,860</u>
Total deferred inflows of resources	<u><u>420,860</u></u>

NET POSITION

Net investment in capital assets	1,473,907
Restricted for:	
Emergencies	13,200
Parks and recreation	74,484
Unrestricted	<u>373,126</u>
Total net position	<u><u>\$ 1,934,717</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**COTTONWOOD METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Administration	\$ 92,609	\$ -	\$ -	\$ (92,609)
Parks and open space	375,411	28,270	-	(347,141)
	<u>\$ 468,020</u>	<u>\$ 28,270</u>	<u>\$ -</u>	<u>(439,750)</u>
General revenues:				
Taxes:				
Property taxes				394,767
Specific ownership taxes				36,170
Investment earnings				1,713
Miscellaneous				5,231
Total general revenues				<u>437,881</u>
Change in net position				(1,869)
Net position - Beginning of year				<u>1,936,586</u>
Net position - End of year				<u>\$ 1,934,717</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**COTTONWOOD METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	<u>General</u>	<u>Special Revenue Conservation Trust</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash deposits	\$ 389,549	\$ 74,484	\$ 464,033
Due from other government	1,970	-	1,970
Prepaid expenditures	9,955	-	9,955
Property tax receivable	420,860	-	420,860
TOTAL ASSETS	<u>\$ 822,334</u>	<u>\$ 74,484</u>	<u>\$ 896,818</u>
LIABILITIES			
Accounts payable	\$ 15,148	\$ -	\$ 15,148
TOTAL LIABILITIES	<u>15,148</u>	<u>-</u>	<u>15,148</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenues	420,860	-	420,860
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>420,860</u>	<u>-</u>	<u>420,860</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	9,955	-	9,955
Restricted:			
Emergencies	13,200	-	13,200
Parks and recreation	-	74,484	74,484
Assigned:			
Subsequent year's expenditures	234,683	-	234,683
Unassigned	128,488	-	128,488
TOTAL FUND BALANCES	<u>386,326</u>	<u>74,484</u>	<u>460,810</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 822,334</u>	<u>\$ 74,484</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds:

Capital assets net of accumulated depreciation	1,473,907
Net position of governmental activities	<u>\$ 1,934,717</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

COTTONWOOD METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue Conservation Trust</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 394,767	\$ -	\$ 394,767
Specific ownership tax	36,170	-	36,170
Intergovernmental:			
Conservation Trust Funds	-	28,270	28,270
Net investment income	1,243	470	1,713
Miscellaneous	5,231	-	5,231
Total revenues	<u>437,411</u>	<u>28,740</u>	<u>466,151</u>
EXPENDITURES			
Administrative			
Directors' fees	6,300	-	6,300
Management fee	30,360	-	30,360
Accounting and audit	5,200	-	5,200
Legal	34,055	-	34,055
Insurance	10,770	-	10,770
County Treasurer's fees	5,924	-	5,924
Parks and recreation			
Maintenance - Park	196,595	-	196,595
Maintenance - General	4,072	-	4,072
Mosquito control	4,443	-	4,443
Utilities	42,438	-	42,438
Miscellaneous	39,440	-	39,440
Capital outlay	30,085	-	30,085
Total expenditures	<u>409,682</u>	<u>-</u>	<u>409,682</u>
NET CHANGE IN FUND BALANCES	27,729	28,740	56,469
FUND BALANCES - BEGINNING OF YEAR	<u>358,597</u>	<u>45,744</u>	<u>404,341</u>
FUND BALANCES - END OF YEAR	<u>\$ 386,326</u>	<u>\$ 74,484</u>	<u>\$ 460,810</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**COTTONWOOD METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities is as follows:

Net change in fund balances - Total governmental funds	<u>\$ 56,469</u>
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	30,085
Depreciation	<u>(88,423)</u>
	<u>(58,338)</u>
Change in net position - Governmental activities	<u><u>\$ (1,869)</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

COTTONWOOD METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property tax	\$ 395,148	\$ 394,767	\$ (381)
Specific ownership tax	30,000	36,170	6,170
Net investment income	2,000	1,243	(757)
Miscellaneous	2,000	5,231	3,231
Total Revenues	<u>429,148</u>	<u>437,411</u>	<u>8,263</u>
EXPENDITURES			
Current			
Directors' fees	7,000	6,300	700
Management fee	27,600	30,360	(2,760)
Accounting and audit	7,000	5,200	1,800
Legal	30,000	34,055	(4,055)
Insurance	11,000	10,770	230
County Treasurer's fees	5,927	5,924	3
Maintenance - Park	228,900	196,595	32,305
Maintenance - General	10,400	4,072	6,328
Mosquito control	6,740	4,443	2,297
Utilities	50,760	42,438	8,322
Miscellaneous	32,000	39,440	(7,440)
Vandalism	12,000	-	12,000
Capital outlay	225,000	30,085	194,915
Total Expenditures	<u>654,327</u>	<u>409,682</u>	<u>244,645</u>
NET CHANGE IN FUND BALANCE	(225,179)	27,729	252,908
FUND BALANCE - BEGINNING OF YEAR	<u>346,799</u>	<u>358,597</u>	<u>11,798</u>
FUND BALANCE - END OF YEAR	<u>\$ 121,620</u>	<u>\$ 386,326</u>	<u>\$ 264,706</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**COTTONWOOD METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE - CONSERVATION TRUST FUND
Year Ended December 31, 2016**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 24,000	\$ 28,270	\$ 4,270
Net investment income	600	470	(130)
Total Revenues	<u>24,600</u>	<u>28,740</u>	<u>4,140</u>
EXPENDITURES			
Capital outlay	<u>20,000</u>	-	<u>20,000</u>
Total Expenditures	<u>20,000</u>	<u>-</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCE	4,600	28,740	24,140
FUND BALANCE - BEGINNING OF YEAR	<u>45,220</u>	<u>45,744</u>	<u>524</u>
FUND BALANCE - END OF YEAR	<u>\$ 49,820</u>	<u>\$ 74,484</u>	<u>\$ 24,664</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Cottonwood Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to provide and maintain an open space park, recreational facilities and programs, landscaping improvements, subdrainage systems and mosquito control.

The District has no employees and all operations and administrative functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District, with the difference between the assets and deferred outflows of resources; and liabilities and deferred inflows of resources; being reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Conservation Trust Fund is a special revenue fund used to account for the State of Colorado Lottery proceeds received by the District which are restricted for expenditures on parks and recreation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is invested in certificates of deposit.

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 30 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.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable and reported as deferred inflows of resources. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include landscaping, park improvements, buildings, shelters, recreation courts, irrigation systems, pedestrian bridges and playground and other equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings and shelters	27.5 years
Courts-Recreation	20 years
Irrigation and subdrainage	22-35 years
Pedestrian bridges	22 years
Playground and other equipment	5-27.5 years
Parking lots	15 years

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are property taxes levied for the ensuing year.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints as follows:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance of \$463,045 and a carrying balance of \$464,033.

Investments

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Local government investment pools

During 2016, the District had no investments.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Landscaping	\$ 420,782	\$ -	\$ -	\$ 420,782
Park improvements	394,515	-	-	394,515
Construction in progress	-	17,238	-	17,238
Total capital assets, not being depreciated	<u>815,297</u>	<u>17,238</u>	<u>-</u>	<u>832,535</u>
Capital assets, being depreciated:				
Buildings and shelters	99,136	-	-	99,136
Courts-Recreation	160,754	-	-	160,754
Irrigation and subdrainage	114,808	6,437	-	121,245
Pedestrian bridges	152,017	-	-	152,017
Playground and other equipment	259,861	6,410	-	266,271
Parking lots	733,527	-	-	733,527
Total capital asses, being depreciated	<u>1,520,103</u>	<u>12,847</u>	<u>-</u>	<u>1,532,950</u>
Less accumulated depreciation for:				
Buildings and shelters	74,949	1,682	-	76,631
Courts-Recreation	121,740	8,037	-	129,777
Irrigation	45,394	4,921	-	50,315
Pedestrian bridges	97,314	6,909	-	104,223
Playground and other equipment	174,144	17,972	-	192,116
Parking lots	289,614	48,902	-	338,516
Total accumulated depreciation	<u>803,155</u>	<u>88,423</u>	<u>-</u>	<u>891,578</u>
Total capital assets, being depreciated depreciated, net	<u>716,948</u>	<u>(75,576)</u>	<u>-</u>	<u>641,372</u>
Capital assets, net	<u>\$ 1,532,245</u>	<u>\$ (58,338)</u>	<u>\$ -</u>	<u>\$ 1,473,907</u>

Depreciation expense of \$88,423 was charged to parks and open space function in the statement of activities.

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 - FUND EQUITY

At December 31, 2016, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$9,955 is comprised of prepaid expenditures which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$13,200 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

The restricted fund balance in the Conservation Trust Fund in the amount of \$74,484 is comprised of unspent Conservation Trust Fund State Lottery receipts which are required to be used exclusively for Parks and Recreation expenditures.

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$234,683 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

NOTE 6 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, net investment in capital assets was \$1,473,907 as the District had no outstanding debt balances related to capital assets.

Restricted net position is composed of amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016 as follows:

Restricted:

Emergencies (Note 8)	\$ 13,200
Parks and recreation	74,484
	\$ 87,684

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On May 5, 1998, a majority of the District's voters authorized the District to collect, retain and spend all revenue and other funds collected effective January 1, 1996 and continuing thereafter, without regard to any limitations under TABOR or any other law.

This information is an integral part of the accompanying financial statements.

OTHER INFORMATION

**COTTONWOOD METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Operations</u>	<u>Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2006	\$ 41,752,420	6.800	\$ 283,916	\$ 278,896	98.2%
2007	\$ 41,295,550	8.800	\$ 363,401	\$ 353,575	97.3%
2008	\$ 42,497,600	8.800	\$ 373,979	\$ 373,075	99.8%
2009	\$ 42,586,100	8.800	\$ 374,758	\$ 372,508	99.4%
2010	\$ 40,879,200	8.800	\$ 359,737	\$ 359,774	100.0%
2011	\$ 40,948,980	8.800	\$ 360,351	\$ 343,774	95.4%
2012	\$ 37,672,370	8.800	\$ 331,517	\$ 327,369	98.7%
2013	\$ 37,727,570	8.800	\$ 332,003	\$ 330,898	99.7%
2014	\$ 38,362,096	8.800	\$ 337,586	\$ 334,548	99.1%
2015	\$ 38,152,330	8.800	\$ 335,741	\$ 335,375	99.9%
2016	\$ 44,903,200	8.800	\$ 395,148	\$ 394,767	99.9%
Estimated for year ending December 31, 2017	\$ 47,825,034 (A)	8.800	\$ 420,860		

(A) - Net of TIF district assessed value of \$1,288,806

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.