

COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
Weld County, Colorado

FINANCIAL STATEMENTS  
December 31, 2018

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**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

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To the Board of Directors of  
Cottonwood Hollow Residential Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund, of Cottonwood Hollow Residential Metropolitan District, as of and for the year ended December 31, 2018, 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.



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## **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 Hollow Residential Metropolitan District, as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the General 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 discussion and analysis that 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cottonwood Hollow Residential Metropolitan District's basic financial statements. The other supplemental information schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, CO  
September 23, 2019

## **BASIC FINANCIAL STATEMENTS**

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2018**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 269,163
Receivable from county treasurer	3,343
Property taxes receivable	876,710
Prepaid expenditures	2,508
Capital assets, not being depreciated	1,263,655
Total assets	<u>2,415,379</u>
 <b>LIABILITIES</b>	
Accounts payable	8,680
Due to other governments	71,788
Developer advances payable - due in more than one year	154,937
Total liabilities	<u>235,405</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	876,710
Total deferred inflows of resources	<u>876,710</u>
 <b>NET POSITION</b>	
Net investment in capital assets	1,108,718
Restricted for:	
Emergency reserves	22,000
Unrestricted	172,546
Total net position	<u>\$ 1,303,264</u>

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Change in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 171,787	\$ -	\$ -	\$ -	\$ (171,787)
Interest and expenses on long-term debt	-	-	-	-	-
	<u>\$ 171,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (171,787)</u>
General revenues:					
Property taxes					\$ 569,236
Specific ownership taxes					43,320
NFURA TIF revenue					92,543
Total general revenues					<u>705,099</u>
Change in net position					533,312
Net position - beginning					769,952
Net position - ending					<u>\$ 1,303,264</u>

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2018**

	<b>General</b>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 269,163
Receivable from county treasurer	3,343
Property taxes receivable	876,710
Prepaid expenditures	2,508
Total assets	\$ 1,151,724
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 8,680
Due to other governments	71,788
Total liabilities	80,468
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	876,710
Total deferred inflows of resources	876,710
 <b>FUND BALANCES</b>	
Nonspendable:	
Prepaid expenditures	2,508
Restricted for:	
Emergency reserves	22,000
Unrestricted	
Unassigned	170,038
Total fund balances	194,546
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,263,655
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Developer advances payable - due in more than one year	(154,937)
Net position of governmental activities	\$ 1,303,264

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2018**

	<b>General</b>
<b>REVENUES</b>	
Property taxes	\$ 569,236
Specific ownership taxes	43,320
NFURA TIF revenue	92,543
Total revenues	705,099
<b>EXPENDITURES</b>	
NFURA TIF expense	93,962
County treasurer fees	7,129
Accounting and legal	64,781
Insurance and bonds	2,488
Miscellaneous	3,427
Capital outlay	428,718
Total expenditures	600,505
<b>NET CHANGE IN FUND BALANCE</b>	104,594
<b>FUND BALANCE - BEGINNING OF YEAR</b>	89,952
<b>FUND BALANCE - END OF YEAR</b>	\$ 194,546

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018**

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

Net change in fund balance - total governmental funds	\$ 104,594
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Governmental funds report capital outlays as expenditures. In the  
statement of activities, capital outlay is not reported as an  
expenditure. In addition, some expenses in the statement of activities  
do require the use of financial resources and, therefore, are not  
reported as expenditures in governmental funds. The net effect of  
these differences is as follows:

Capital outlay	<u>428,718</u>
Change in net position of governmental activities	<u><u>\$ 533,312</u></u>

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended December 31, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 474,486	\$ 569,236	\$ 569,236	\$ -
Specific ownership taxes	60,000	43,000	43,320	320
NFURA TIF revenue	-	92,500	92,543	43
Total revenues	<u>534,486</u>	<u>704,736</u>	<u>705,099</u>	<u>363</u>
<b>EXPENDITURES</b>				
NFURA TIF expense	-	94,000	93,962	38
County treasurer fees	-	7,129	7,129	-
Election costs	2,500	-	-	-
Insurance and bonds	2,800	2,500	2,488	12
Accounting and legal	40,000	56,000	64,781	(8,781)
Miscellaneous	-	3,500	3,427	73
Capital outlay	-	462,000	428,718	33,282
Total expenditures	<u>45,300</u>	<u>625,129</u>	<u>600,505</u>	<u>24,624</u>
<b>NET CHANGE IN FUND BALANCE</b>	489,186	79,607	104,594	24,987
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>30,174</u>	<u>89,952</u>	<u>89,952</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 519,360</u>	<u>\$ 169,559</u>	<u>\$ 194,546</u>	<u>\$ 24,987</u>

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Cottonwood Hollow Residential Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on December 2, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area boundaries are located entirely in the Town of Firestone (Town), County of Weld, Colorado.

The District was established principally to finance the construction of various categories of public improvements, such as streets, traffic and safety signals, storm drainage, sewer, water, and park and recreation facilities for the use and benefit of all its residents and taxpayers within the District's boundaries. Upon completion of construction and installation, it is the District's intent to dedicate all public improvements to the Town or its designee for operation and maintenance. Certain landscaping, park and recreation improvements, addition of retention/detention ponds, and irrigation system improvements may be maintained by the District unless the Town accepts ownership of any such improvements.

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 District 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 except for fiduciary activities. 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.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is 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.

Separate financial statements are provided for governmental funds. 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. Expenditures for property and equipment 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 and specific ownership taxes and sales tax. 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.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Budgets**

In accordance with the Local Government Budget Law of Colorado, 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.

For the year ended December 31, 2018, supplementary appropriations approved by the District's board of directors modified the appropriation in the General Fund from \$45,300 to \$625,129.

**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 account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**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 inflows of resources in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year they are available or collected.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets are reported in the governmental activities column in the governmental-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 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 that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as inflows of resources in the period that the amount becomes available.

**Fund Balances – Governmental Funds**

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

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 of 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 board of directors delegates the authority.

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$ 269,163
Total cash and investments	<u>\$ 269,163</u>

Cash and investments as of December 31, 2018 consist of the following:

Deposits with financial institutions	\$ 269,163
Total cash and investments	<u>\$ 269,163</u>

**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, 2018, the District’s cash deposits had a bank balance of \$271,202 and a carrying balance of \$269,163.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investment that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes 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
  - Certain international agency securities
  - General obligation and revenue bonds of U.S. local government entities
  - Bankers' acceptances of certain banks
  - Commercial paper
  - Written repurchase agreements collateralized by certain authorized securities
  - Certain money market funds
  - Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2018, the District had no investments.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

<b><u>Governmental Activities</u></b>	<b><u>Balance at December 31, 2017</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance at December 31, 2018</u></b>
Capital assets, not being depreciated:				
Public improvements	\$ 834,937	\$ 428,718	\$ -	\$ 1,263,655
Total capital assets, not being depreciated	<u>\$ 834,937</u>	<u>\$ 428,718</u>	<u>\$ -</u>	<u>\$ 1,263,655</u>

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2018:

<b><u>Governmental Activities:</u></b>	<b><u>Balance at December 31, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance at December 31, 2018</u></b>	<b><u>Due Within One Year</u></b>
Developer advances	\$ 154,937	\$ 371,615	\$ 371,615	\$ 154,937	\$ -
	<u>\$ 154,937</u>	<u>\$ 371,615</u>	<u>\$ 371,615</u>	<u>\$ 154,937</u>	<u>\$ -</u>

**Advance and Reimbursement Agreement – Del Camino East Properties, LLC**

The District entered into an advance and reimbursement agreement with Del Camino East Properties, LLC on January 13, 2005. This agreement established the terms and conditions for reimbursing hard and soft construction costs pursuant to the District’s reimbursement policy. The district shall make payments for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. On May 16, 2017, an Amendment to Assignment of Reimbursement Proceeds was approved by the District assigning reimbursement rights from new developer Mortgage Consultants, LLC to Del Camino East Properties, LLC (see Note 8).

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On November 8, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$124,100,000, at an interest rate not to exceed 18% per annum. At December 31, 2018, the District had authorized and unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Total Authorized</b>	<b>Remaining at December 31, 2018</b>
Streets	\$ 9,650,000	\$ 9,650,000
Water	17,880,000	17,880,000
Parks and recreation	23,520,000	23,520,000
Debt for operations	11,000,000	11,000,000
Refunding	62,050,000	62,050,000
	<b>\$ 124,100,000</b>	<b>\$ 124,100,000</b>

**NOTE 6 – FUND EQUITY**

At December 31, 2018, the District reported the following classifications of fund equity.

Non-spendable - The non-spendable fund balance in the General Fund in the amount of \$2,508 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

Restricted - The restricted fund balance in the General Fund in the amount of \$22,000 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 10).

Unrestricted - amounts that are available for any purpose.

**NOTE 7 - NET POSITION**

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets owned by the District, 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 improvements of

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 7 - NET POSITION (CONTINUED)**

those assets. As of December 31, 2018 the District had a net investment in capital assets in the amount of \$1,108,718.

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or law and regulations of other governments, or as imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2018, consists of \$22,000 for emergency reserves.

As of December 31, 2018, the District had an unrestricted net position of \$172,546. This unrestricted net position is the amount of net position not invested in capital assets or restricted for emergencies.

**NOTE 8 - RELATED PARTIES**

Certain members of the Board of Directors of the District are employees, owners or associated with Mortgage Consultants, LLC and Del Camino East Properties, LLC. In addition, Mortgage Consultants, LLC and Del Camino East Properties, LLC may do business with various construction, engineering and financing companies of which members of the Board of Directors are associated. During the year ended December 31, 2018, the District paid \$371,615 to Mortgage Consultants, LLC as reimbursement for District public improvements.

**NOTE 9 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be 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). 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, public officials liability and workers compensation coverage. 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.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 10 - 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 which apply to the State of Colorado and all local governments, except Enterprise.

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.

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

## **OTHER INFORMATION**

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2018**

<u>Year Ended December 31,</u>	<u>Prior Year Net Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2012	\$ 320,910	50.000	\$ 16,046	\$ 16,046	100.00%
2013	\$ 316,520	50.000	\$ 15,826	\$ 15,826	100.00%
2014	\$ 295,755	50.000	\$ 14,788	\$ 14,788	100.00%
2015	\$ 788,840	50.000	\$ 39,442	\$ -	0.00%
2016	\$ 115,930	50.000	\$ 5,797	\$ 7,084	122.21%
2017	\$ 15,514,140	50.000	\$ 775,707	\$ 775,707	100.00%
2018	\$ 9,191,430	61.911	\$ 569,051	\$ 569,236	100.03%
Estimated for the year ending December 31, 2019	\$ 14,160,810	61.911	\$ 876,710		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.