

COTTONWOOD METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2023

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position – Governmental Activities	4
Statement of Activities – Governmental Activities	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Special Revenue – Conservation Trust Fund	10
Notes to Financial Statements	11
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	20



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Cottonwood Metropolitan District
Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cottonwood Metropolitan District (District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cottonwood Metropolitan District, as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Conservation Trust Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's 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 opinions on the basic financial statements are not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information is as listed in the table of contents and does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 24, 2024

BASIC FINANCIAL STATEMENTS

**COTTONWOOD METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2023**

ASSETS

Cash deposits	\$ 1,211,224
Due from other government	4,613
Prepaid insurance	12,020
Property taxes receivable	888,178
Capital assets, not being depreciated	860,745
Capital assets, being depreciated, net of accumulated depreciation	1,123,704
Total assets	4,100,484

LIABILITIES

Accounts payable	19,722
Total liabilities	19,722

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	888,178
Total deferred inflows of resources	888,178

NET POSITION

Net investment in capital assets	1,984,449
Restricted for:	
Emergencies	23,700
Parks and recreation	103,074
Unrestricted	1,081,361
Total net position	\$ 3,192,584

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, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Administration	\$ 117,204	\$ -	\$ (117,204)
Parks and open space	602,777	47,379	(555,398)
	<u>\$ 719,981</u>	<u>\$ 47,379</u>	<u>(672,602)</u>
General revenues:			
Taxes:			
Property taxes			715,762
Specific ownership taxes			71,327
Investment earnings			2,102
Miscellaneous			200
Total general revenues			<u>789,391</u>
Change in net position			116,789
Net position - Beginning of year			<u>3,075,795</u>
Net position - End of year			<u>\$ 3,192,584</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, 2023**

	<u>General</u>	<u>Special Revenue Conservation Trust</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash deposits	\$ 1,108,150	\$ 103,074	\$ 1,211,224
Due from other government	4,613	-	4,613
Prepaid expenditures	12,020	-	12,020
Property tax receivable	888,178	-	888,178
TOTAL ASSETS	<u>\$ 2,012,961</u>	<u>\$ 103,074</u>	<u>\$ 2,116,035</u>
LIABILITIES			
Accounts payable	\$ 19,722	\$ -	\$ 19,722
TOTAL LIABILITIES	<u>19,722</u>	<u>-</u>	<u>19,722</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenues	888,178	-	888,178
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>888,178</u>	<u>-</u>	<u>888,178</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	12,020	-	12,020
Restricted:			
Emergencies	23,700	-	23,700
Parks and recreation	-	103,074	103,074
Assigned:			
Subsequent year's expenditures	155,722	-	155,722
Unassigned	913,619	-	913,619
TOTAL FUND BALANCES	<u>1,105,061</u>	<u>103,074</u>	<u>1,208,135</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,012,961</u>	<u>\$ 103,074</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	1,984,449
Net position of governmental activities	<u>\$ 3,192,584</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, 2023**

	<u>General</u>	<u>Special Revenue Conservation Trust</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 715,762	\$ -	\$ 715,762
Specific ownership tax	71,327	-	71,327
Intergovernmental:			
Conservation Trust Funds	-	47,379	47,379
Net investment income	1,739	363	2,102
Miscellaneous	200	-	200
Total revenues	<u>789,028</u>	<u>47,742</u>	<u>836,770</u>
EXPENDITURES			
Administrative			
Directors' fees	6,400	-	6,400
Management fee	28,678	-	28,678
Accounting	36,000	-	36,000
Audit	6,300	-	6,300
Legal	15,852	-	15,852
Insurance	13,231	-	13,231
County Treasurer's fees	10,743	-	10,743
Parks and recreation			
Maintenance - Park	433,451	2,869	436,320
Maintenance - General	9,582	-	9,582
Mosquito control	5,449	-	5,449
Utilities	46,013	-	46,013
Miscellaneous	7,077	-	7,077
Vandalism	2,392	-	2,392
Capital outlay	10,851	-	10,851
Total expenditures	<u>632,019</u>	<u>2,869</u>	<u>634,888</u>
NET CHANGE IN FUND BALANCES	157,009	44,873	201,882
FUND BALANCES - BEGINNING OF YEAR	<u>948,052</u>	<u>58,201</u>	<u>1,006,253</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,105,061</u>	<u>\$ 103,074</u>	<u>\$ 1,208,135</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, 2023**

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>\$ 201,882</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	10,851
Depreciation	<u>(95,944)</u>
	<u>(85,093)</u>
Change in net position - Governmental activities	<u><u>\$ 116,789</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, 2023**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget
REVENUES			
Property tax	\$ 715,215	\$ 715,762	\$ 547
Specific ownership tax	70,000	71,327	1,327
Net investment income	640	1,739	1,099
Miscellaneous	100	200	100
Total Revenues	<u>785,955</u>	<u>789,028</u>	<u>3,073</u>
EXPENDITURES			
Current			
Directors' fees	7,000	6,400	600
Management fee	31,600	28,678	2,922
Accounting	36,000	36,000	-
Audit	6,900	6,300	600
Legal	36,000	15,852	20,148
Insurance	16,000	13,231	2,769
County Treasurer's fees	10,728	10,743	(15)
Maintenance - Park	473,400	433,451	39,949
Maintenance - General	14,000	9,582	4,418
Mosquito control	6,000	5,449	551
Utilities	74,000	46,013	27,987
Miscellaneous	7,000	7,077	(77)
Vandalism	12,000	2,392	9,608
Capital outlay	300,000	10,851	289,149
Total Expenditures	<u>1,030,628</u>	<u>632,019</u>	<u>398,609</u>
NET CHANGE IN FUND BALANCE	(244,673)	157,009	401,682
FUND BALANCE - BEGINNING OF YEAR	<u>966,109</u>	<u>948,052</u>	<u>(18,057)</u>
FUND BALANCE - END OF YEAR	<u>\$ 721,436</u>	<u>\$ 1,105,061</u>	<u>\$ 383,625</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, 2023**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 40,000	\$ 47,379	\$ 7,379
Net investment income	120	363	243
Total Revenues	<u>40,120</u>	<u>47,742</u>	<u>7,622</u>
EXPENDITURES			
Maintenance - park	-	2,869	(2,869)
Capital outlay	65,000	-	65,000
Total Expenditures	<u>65,000</u>	<u>2,869</u>	<u>62,131</u>
NET CHANGE IN FUND BALANCE	(24,880)	44,873	69,753
FUND BALANCE - BEGINNING OF YEAR	<u>51,480</u>	<u>58,201</u>	<u>6,721</u>
FUND BALANCE - END OF YEAR	<u>\$ 26,600</u>	<u>\$ 103,074</u>	<u>\$ 76,474</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, 2023**

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.

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

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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.

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

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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.

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 paid 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 historical cost or acquisition 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. 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	5-15 years

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 assets 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 assets 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 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.

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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.

As of December 31, 2023, the District's cash deposits had a bank balance of \$1,211,263 and a carrying balance of \$1,211,224.

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
- . Local government investment pools

As of and for the year ended December 31, 2023, the District had no investments.

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	<u>Balance at December 31, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2023</u>
Capital assets, not being depreciated:				
Landscaping	\$ 459,385	\$ -	\$ -	\$ 459,385
Park improvements	401,360	-	-	401,360
Total capital assets, not being depreciated	<u>860,745</u>	<u>-</u>	<u>-</u>	<u>860,745</u>
Capital assets, being depreciated:				
Buildings and shelters	162,841	-	-	162,841
Courts-Recreation	160,754	-	-	160,754
Irrigation and subdrainage	967,204	10,851	-	978,055
Pedestrian bridges	152,017	-	-	152,017
Playground and other equipment	327,908	-	-	327,908
Parking lots	790,606	-	-	790,606
Total capital assets, being depreciated	<u>2,561,330</u>	<u>10,851</u>	<u>-</u>	<u>2,572,181</u>
Less accumulated depreciation for:				
Buildings and shelters	(87,101)	(3,998)	-	(91,099)
Courts-Recreation	(160,755)	-	-	(160,755)
Irrigation	(54,252)	(38,488)	-	(92,740)
Pedestrian bridges	(145,683)	(6,910)	-	(152,593)
Playground and other equipment	(257,797)	(13,732)	-	(271,529)
Parking lots	(646,945)	(32,816)	-	(679,761)
Total accumulated depreciation	<u>(1,352,533)</u>	<u>(95,944)</u>	<u>-</u>	<u>(1,448,477)</u>
Total capital assets, being depreciated depreciated, net	<u>1,208,797</u>	<u>(85,093)</u>	<u>-</u>	<u>1,123,704</u>
Capital assets, net	<u>\$ 2,069,542</u>	<u>\$ (85,093)</u>	<u>\$ -</u>	<u>\$ 1,984,449</u>

Depreciation expense of \$95,944 was charged to parks and open space function in the statement of activities.

NOTE 5 - FUND EQUITY

As of December 31, 2023, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

The nonspendable fund balance in the General Fund in the amount of \$12,020 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 \$23,700 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 \$103,074 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 \$155,722 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, 2023, net investment in capital assets was \$1,984,449 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, 2023, as follows:

Restricted:

Emergencies (Note 8)	\$ 23,700
Parks and recreation	103,074
	<u>\$ 126,774</u>

NOTE 7 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as amended from time to time, 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, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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.

NOTE 9 - AGREEMENTS

The District has entered into intergovernmental agreements with Cottonwood Highlands Metropolitan District No. 1 (Cottonwood Highlands). The boundaries of Cottonwood Highlands overlap a portion of the District. The District has agreed to contribute toward maintenance of the parks within Cottonwood Highlands in recognition that property owners within Cottonwood Highlands are paying property taxes to the District and that the parks owned by the District are located outside Cottonwood Highlands.

Intergovernmental Agreement Regarding Tree Replacement

On November 2, 2022, the District entered into an Intergovernmental Agreement Regarding Tree Replacement with Cottonwood Highlands. The agreement provides for the District to pay for the cost of certain trees in parks and right-of-way within the boundaries of both the District and Cottonwood Highlands. During 2023, the District paid \$87,128 for tree replacements. The District has no further obligations under this agreement.

**COTTONWOOD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Intergovernmental Agreement Regarding BrightView Landscape Services, Inc. 2023 Landscape Services Agreement

On February 28, 2023, the District entered into an Intergovernmental Agreement Regarding BrightView Landscape Services, Inc.'s 2023 Landscape Services Agreement with Cottonwood Highlands. The agreement provides for the District to pay for the 2023 Landscape Services Agreement with BrightView Landscape Services, Inc. and Cottonwood Highlands in the total amount of \$95,100. The District has no further obligations under this agreement.

Intergovernmental Agreement Regarding Funding for Parks and Rights-of-Way Maintenance

On March 26, 2024, the District entered into an Intergovernmental Agreement Regarding Funding for Parks and Rights-of-Way Maintenance with Cottonwood Highlands. The agreement acknowledges that the District would like to contribute toward maintenance of the parks and rights-of-way within Cottonwood Highlands by sharing a portion of the general operating mill levy revenue collected by the District from property within Cottonwood Highlands through 2026.

The District agrees to pay \$20,946 on behalf of Cottonwood Highlands for landscape maintenance services provided in the first three months of 2024 under the Maintenance Contract with OnePRO Services, LLC directly to OnePro Services, LLC beginning with the invoice for January 2024.

In addition, the District agrees to transfer 80% of the District's general operating tax collections from property within Cottonwood Highlands, net of county treasurer's fee and, for 2024 only, net of the amount paid to the Cottonwood Highlands landscape contractor above (Maintenance Contribution). The agreement outlines a formula to be used to calculate the District's Maintenance Contribution as: actual property tax collections by the District from the general operating mill levy for all taxable property within the boundary of the District; multiplied by 0.985 (to deduct the county treasurer's fee of 0.015); multiplied by .2287 (percentage of assessed valuation of the District from property within Cottonwood Highlands from the final certified net total taxable assessed valuation within Cottonwood Highlands); multiplied by .80.

The Maintenance Contribution is due to Cottonwood Highlands on a quarterly basis, based on actual general operating tax collections in that quarter. In 2024 only, the District shall deduct the amount that it has paid to the landscape contractor of \$20,946 from the Maintenance Contribution. For any fiscal year after 2024, the parties to the Agreement shall re-calculate the amount of the Maintenance Contribution, based on the formula and based on the final certified net total assessed valuation of taxable real property within each district for the prior year.

Cottonwood Highlands may only use the Maintenance Contribution for the costs of maintaining parks and rights-of-way they own. The agreement is effective as of January 1, 2024 and shall terminate of December 31, 2024. The agreement shall automatically renew for an additional one year term commencing on January 1 of the next succeeding year, for a total of two additional years (2025 and 2026), through December 31, 2026 unless the District determines not to appropriate or budget funds for the agreement or either party provides notice of non-renewal.

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, 2023**

<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%
2017	\$ 47,825,034 (A)	8.800	\$ 420,860	\$ 420,711	100.0%
2018	\$ 57,391,920 (B)	8.800	\$ 505,049	\$ 505,014	100.0%
2019	\$ 59,771,235 (C)	8.800	\$ 525,987	\$ 525,124	99.8%
2020	\$ 70,547,790 (D)	8.800	\$ 620,821	\$ 623,195	100.4%
2021	\$ 74,202,596 (E)	8.800	\$ 652,983	\$ 652,926	100.0%
2022	\$ 81,011,108 (F)	8.800	\$ 712,898	\$ 713,162	100.0%
2023	\$ 81,274,398 (G)	8.800	\$ 715,215	\$ 715,762	100.1%
Estimated for year ending December 31, 2023	\$ 107,009,447 (H)	8.300	\$ 888,178		

- (A)** - Net of TIF district assessed value of \$1,288,806
- (B)** - Net of TIF district assessed value of \$3,715,100
- (C)** - Net of TIF district assessed value of \$4,014,855
- (D)** - Net of TIF district assessed value of \$5,750,640
- (E)** - Net of TIF district assessed value of \$5,326,344
- (F)** - Net of TIF district assessed value of \$5,898,192
- (G)** - Net of TIF district assessed value of \$6,128,842
- (H)** - Net of TIF district assessed value of \$7,863,953

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.