

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
TOWN OF FIRESTONE, COUNTY OF WELD, STATE OF COLORADO**

**ANNUAL REPORT FOR FISCAL YEAR 2022**

Pursuant to §32-1-207(3)(c) and the Amended and Restated Service Plan for Cottonwood Hollow Residential Metropolitan District (the “**District**”), the District is required to provide an annual report to the Town of Firestone (the “**Town**”) with regard to the matters below.

To the best of our actual knowledge, for the year ending December 31, 2022, the District makes the following report:

**Service Plan Requirements**

**1. Boundary changes made or proposed to the District’s boundary as of December 31 of the prior year.**

There were no boundary changes made or proposed to the District’s boundaries in 2022.

**2. Copies of the District’s rules and regulations, if any, as of December 31, 2022 of the prior year.**

A copy of the District’s Resolution Adopting a Procurement Policy is attached hereto as **Exhibit A**.

**3. A summary of any litigation which involves the Public Improvements as of December 31 of the prior year.**

To our actual knowledge, based on review of the court records in Weld County, Colorado, and the Public Access to Court Electronic Records (PACER) there is no litigation involving the District’s Public Improvements as of December 31, 2022.

On April 7, 2023, Olsson, Inc. (the “Plaintiff”) filed a Complaint in U.S. District Court for the District of Colorado alleging claims against Windler Public Improvement Authority, GVP Windler, LLC, Cottonwood Hollow Residential Metropolitan District, and Alberta 8081 East Orchard, LLC (collectively, the “Defendants”). As of June 1, 2023, the Plaintiff and Defendants are in settlement discussions.

**4. Status of the District’s construction of the Public Improvements as of December 31 of the prior year.**

As of December 31, 2022, no public improvements had been constructed by the District.

- 5. A list of all facilities and improvements constructed by the District that have been dedicated to and accepted by the Town or other service provider providing service to the property in the District, as of December 31 of the prior year.**

As of December 31, 2022, no facilities and improvements constructed by the District have been dedicated or accepted by the Town.

- 6. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.**

There are no uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.

- 7. Any inability of the District to pay its obligations as they come due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.**

None.

- 8. Any alteration or revision of the proposed schedule of Debt issuance set forth in the Financial Plan.**

None.

### **§32-1-207(3) Statutory Requirements**

- 1. Boundary changes made.**

There were no boundary changes made or proposed to the District's boundaries in 2022.

- 2. Intergovernmental Agreements entered into or terminated.**

There were no Intergovernmental Agreements entered into or terminated in 2022.

- 3. Access information to obtain a copy of rules and regulations adopted by the board.**

A copy of the District's Resolution Adopting a Procurement Policy is attached hereto as **Exhibit A**.

- 4. A summary of litigation involving public improvements owned by the District.**

To our actual knowledge, based on review of the court records in Weld County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District's public improvements as of December 31, 2022.

On April 7, 2023, Olsson, Inc. (the “Plaintiff”) filed a Complaint in U.S. District Court for the District of Colorado alleging claims against Windler Public Improvement Authority, GVP Windler, LLC, Cottonwood Hollow Residential Metropolitan District, and Alberta 8081 East Orchard, LLC (collectively, the “Defendants”). As of June 1, 2023, the Plaintiff and Defendants are in settlement discussions.

**5. Status of the construction of public improvements by the District.**

As of December 31, 2022, no public improvements had been constructed by the District.

**6. A list of facilities or improvements constructed by the District there were conveyed or dedicated to the county or municipality.**

As of December 31, 2022, no facilities and improvements constructed by the District have been conveyed or dedicated to the Town.

**7. The final assessed valuation of the District as of December 31<sup>st</sup> of the reporting year.**

A copy of the 2022 final assessed valuation is attached hereto as **Exhibit B**.

**8. A copy of the current year’s budget.**

A copy of the 2023 Budget is attached hereto as **Exhibit C**.

**9. A copy of the audited financial statements, if required by the “Colorado Local Government Audit Law”, part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.**

The 2020 and 2021 audits are attached hereto as **Exhibit D**. The 2022 audit is not available at this time and will be provided as a supplement to this annual report.

**10. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the District.**

There were no uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.

**11. Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a ninety (90) day period.**

None.

**Exhibit A**  
**Resolution Adopting a Procurement Policy**

**RESOLUTION  
OF THE BOARD OF DIRECTORS OF  
COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**

**ADOPTING A PROCUREMENT POLICY**

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WHEREAS, Cottonwood Hollow Residential Metropolitan District (the “**District**”) is a quasi-municipal corporation and political subdivision of the State of Colorado; and

WHEREAS, pursuant to § 32-1-1001(1)(d), C.R.S., the Board of Directors of the District (the “**Board**”) is authorized to enter into contracts and agreements affecting the affairs of the District; and

WHEREAS, pursuant to § 32-1-1001(1)(h) C.R.S., the Board shall have the management, control and supervision of all the business and affairs of the District; and

WHEREAS, in order to implement the services, programs, and facilities of the District in a timely, efficient, and effective manner, the Board has developed and desires to adopt a procurement policy.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

1. Adoption of Procurement Policy. The District hereby adopts the Procurement Policy set forth in Exhibit A, attached hereto and incorporated herein by this reference, as may be amended from time to time.

2. Severability. If any part, section, subsection, sentence, clause or phrase of this Resolution or the Procurement Policy is for any reason held to be invalid, such invalidity shall not affect the validity of the remaining provisions.

3. Term. This Resolution and the Procurement Policy shall become effective immediately, and shall supersede any previously adopted resolution or policy of the District related to the approval of Contracts and payment of Invoices (as those terms are defined in the Procurement Policy). The Procurement Policy shall remain in full force and effect until such time as it is amended, superseded, rescinded or repealed by the Board.

*[Signature page follows]*

ADOPTED this 4th day of November, 2021.

**COTTONWOOD HOLLOW RESIDENTIAL  
METROPOLITAN DISTRICT**, a quasi-  
municipal corporation and political subdivision of  
the State of Colorado

*Douglas S Hatfield*  
Douglas S Hatfield (Nov 23, 2021 15:17 MST)

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Officer of the District

ATTEST:

*Dustin Anderson*  
Dustin Anderson (Nov 29, 2021 09:00 MST)

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Secretary or Officer of the District

*Signature page to Resolution Adopting a Procurement Policy*

**EXHIBIT A**

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
PROCUREMENT POLICY  
(Adopted November 4, 2021)**

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**1. GENERAL**

a. *Purpose.* Purchasing and contracting is to be accomplished in the best interests of the District, and is to be performed so as to secure for the District the greatest value considering cost, quality, delivery, service and other considerations which reflect overall value comparisons. Stewardship of public funds is a fundamental responsibility of local government. The public must have confidence that public funds are spent prudently and transparently on its behalf, with proper planning and evaluation, in a manner that is open and fair to all.

b. *Applicability.* This Policy applies to publicly funded expenditures entered into by and on behalf of the District for the purchase of goods or services. The provisions of this Policy related to Contract approval do not apply to professional service contracts (legal, accounting, auditing, etc.), intergovernmental agreements, memorandum of understanding, the purchase, sale or lease of real property, or grants awarded.

c. *Authority.* The authority to procure and pay for goods or services for the District rests with the Board and may be carried out as set forth in this Policy, in accordance with applicable laws, rules, regulations and procedures relating to the expenditures of public funds. No individual may contract or make purchases on behalf of the District unless duly authorized by the Board.

d. *Fiduciary Obligation.* Each Director has a general, common-law fiduciary obligation to the District. As a fiduciary, the Director has the duty to exercise the utmost good faith, business sense and astuteness when approving Contracts or Invoices pursuant to this Policy.

e. *Subdivision prohibited.* No Contract or purchase may be subdivided to avoid the requirements of this Policy.

f. *Payments.* Payments to vendors or contractors are to be expedited whenever possible in order to realize discounts and enhance the District's reputation as a responsible customer.

g. *Emergency Exception.* In an Emergency, the primary concern of the person in charge of the Emergency should be the health and safety of persons and property. The existence of such condition may create an immediate and serious need for supplies, services or construction that cannot be met through normal procurement methods. Secondary consideration should be given to the amount of District funds necessary to adequately resolve the Emergency condition. Therefore, bidding requirements and the limits on the delegated authority are suspended in Emergency conditions. Emergency procurement shall be limited to only those supplies, services or construction items necessary to meet the immediate Emergency.



h. *Deviation.* The Board may deviate from the procedures set forth in this Policy, in its sole and absolute discretion.

## 2. INTRODUCTION TO PUBLIC PROCUREMENT

Procurement in the public sector is the process through which a local government acquires goods and services. The terms “Procurement” and “Purchasing” are often used interchangeably. However, strictly speaking, “Purchasing” is only one of three stages of the public procurement cycle.

The three stages of public procurement are:

a. **Planning and Scheduling:** This stage includes defining the need, developing the means and methods to meet the need, including the method of source selection, assessing risks, and ensuring proper allocation of resources.

b. **Purchasing and Source Selection:** This stage represents the process through which qualified providers of goods and services are identified, solicited, evaluated and ultimately selected. The method of source selection, dictated by the amount of the expenditure, is determined in the Planning and Scheduling stage.

c. **Contract Formation and Administration:** This stage includes confirmation of expected performance measures, finalization of terms and conditions and signature of authorized parties. This stage also includes post-award enforcement of the terms of the resulting contract, including payment of invoices and adherence to insurance, amendment and renewal requirements through contract completion.

The appropriate procurement process to be followed in any given circumstance is dependent upon a variety of factors. A conceptual framework for determining the appropriate process is summarized as follows:

a. The nature of the purchase dictates (i) whether public competition is required; and (ii) whether additional approvals are required; and

b. The amount to be spent dictates (i) who has the authority to make the purchase; (ii) what kind of competitive solicitation is required, if any; and (iii) who has the authority to sign the contract; and

c. Every purchase and sale, regardless of type or amount, must be memorialized in a written document that identifies the rights and obligations of both the buyer and the seller.

## 3. DEFINED TERMS

“*Authorized Directors*” means the president of the District and one additional Director of the District.

“*Authorized Party*” means either the Authorized Directors or the District Manager, as the context requires, or any Director authorized by the vote of the Board to take action or expend funds.

“*Board*” means the Board of Directors of the District.

“*Contract*” means (a) a written agreement between two or more competent parties to perform a specific act or acts; (b) any type of agreement or arrangement regardless of what it is called for the procurement of goods or services or that obligates the District to pay a sum of money; and (c) a purchase order.

“*Director(s)*” means any current member(s) of the Board.

“*District*” means Cottonwood Hollow Residential Metropolitan District

“*District Accountant*” means the accountant retained and engaged by the Board to provide accounting services to the District.

“*District Manager*” means the manager retained and engaged by the Board to provide management services to the District.

“*Emergency*” means any situation that constitutes an immediate threat to the health, welfare or safety of persons or property, which would not allow sufficient time to consult with the Board or allow an Authorized Party or the Board to take action using the normal procurement methods set forth in this Policy.

“*Invoice*” means an itemized bill for goods sold or services provided, containing individual prices, and the total charge.

“*Policy*” means the Cottonwood Hollow Residential Metropolitan District Procurement Policy.

#### **4. REQUIREMENTS FOR BIDDING AND OBTAINING PRICE QUOTATIONS**

a. Purchases should be comparison shopped in order to achieve the lowest possible purchase price. Prudent management, however, indicates that at certain cost levels, the potential savings by bidding an individual purchase are offset by the increased costs and delays required to obtain multiple bids. This Policy attempts to balance the cost savings potential from receiving bids with the increased costs and delay associated with obtaining those bids. This Policy does not apply to construction contracts for work or materials, or both, involving an expense of \$60,000.00 or more of public moneys, which must be publically noticed and bid.

b. An Authorized Party may choose to incorporate more rigid bidding requirements to the extent that the more rigid bidding requirements are economically feasible.

c. Some purchases are available only from single or limited sources due to: their nature (i.e., utilities); existing relationships (i.e. bank service charges); long-term contracts (i.e. fire protection); or unique physical requirements of District operations. If an Authorized Party is unable to obtain bids required under this Policy because of the need to use sole source providers, market conditions, etc., these circumstances should be documented unless pre-approved by the Board at a meeting.

d. Occasionally the Authorized Party may receive a low bid that for various reasons the Authorized Party may not want to accept. The Authorized Party is authorized to accept the lowest responsive and responsible bid, in its discretion.

e. The requirements for obtaining bids for the purchase of goods and services are shown in Table 1, below.

**TABLE 1**

<b>Estimated Cost of Item (Goods or Services)</b>	<b>Purchasing Method to Use</b>	<b>Position with Approval Authority</b>
\$0.01-\$ 4,999	Written price quotes from <b>at least one vendor</b> . Price quotes must be written proposals from a representative of an established, viable vendor who is properly licensed to complete the work. The purchaser may select the best source without seeking competitive quotes.	<b>District Manager or Authorized Directors</b>
*\$5,000 - \$9,999	Written price quotes from <b>at least two vendors</b> . Price quotes must be written proposals from a representative of an established, viable vendor who is properly licensed to complete the work.	<b>Authorized Directors</b> (District Manager notifies Board of expenditure)
*\$10,000 and above	Written price quotes from <b>at least three vendors</b> . Price quotes must be written proposals from a representative of an established, viable vendor who is properly licensed to complete the work.	<b>Board of Directors</b> <b>Approved at a Board meeting</b>

\*NOTE: Colorado State Statutes require specific formal bid advertisements for “construction contracts for work or materials, or both,” for \$60,000 or more.

## **5. AUTHORITY FOR CONTRACT APPROVAL**

a. Authority. The Board is authorized to make all contracts necessary to exercise the District's corporate and administrative powers and to establish policies and procedures regarding entering into such contracts. Through its policies and procedures, the Board may, as it does here, set forth standards by which to delegate its power to bind the District. Specifically, the Board authorizes the following:

i. The Board retains sole authority to enter into contracts on behalf of the District when the contract requirement is \$10,000 or more.

ii. The Authorized Directors are authorized to procure (that is, solicit, review, approve, execute and enter contracts for) goods or services with a contract requirement of less than \$10,000 when the expenditure is authorized in an approved budget.

iii. The District Manager is authorized to procure (that is, solicit, review, approve, execute and enter contracts for) goods or services with a contract requirement of less than \$5,000 when the expenditure is authorized in an approved budget.

b. Prior to awarding or entering into a Contract pursuant to this Policy, the person authorized to award and approve such Contract shall confirm and verify:

i. The Contract has been reviewed and approved by general counsel to the District; the District Accountant, District Manager and/or engineer, as appropriate;

ii. Any payment required to be made under such Contract does not exceed the amounts appropriated under the line item for the category of expense set forth in the District's approved budgets (e.g., landscaping), to which the Contract reasonably relates. If the line item in the District's budget would be exceeded, the Contract must be approved by the Board at a meeting. *Every purchase order or contract is subject to the appropriation of necessary funds by the District Board on an annual basis, notwithstanding automatic renewal clauses or any other provisions extending the purchase or contract beyond the calendar year in which it is executed;* and

iii. The amount of the Contract does not exceed the amounts authorized to be approved as set forth in Table 1 and Section 5.a.

c. If the Authorized Directors disagree on whether a Contract should be approved, the Contract shall be presented to the full Board for discussion and action.

## **6. AUTHORITY FOR INVOICE APPROVAL**

a. The Board authorizes payment of Invoices so long as: (i) the Contract or expenditure has been approved in accordance with this Policy, or by the Board at a meeting; (ii) such payment does not result in exceeding the Contract amount, inclusive of any validly approved changes to the Contract; and (iii) any payment made does not exceed the amounts appropriated under the line item for the category of expense set forth in the District's approved budgets.

b. The Board hereby delegates and authorizes any two (2) Directors to approve the payment of Invoices.

c. The District's Accountant is authorized and directed, without further approval by the Board, to pay Invoices for the following categories of expenditures:

- i. Utilities (e.g. water, gas and electricity);
- ii. Payments required pursuant to intergovernmental agreements and bonds; and
- iii. SDA membership, insurance policies and director bonds.

## **7. APPROPRIATION**

a. Prior to executing any Contract or making payment of any Invoice, the person authorized to award and approve such Contract or Invoice shall verify with the District's accountant that sufficient funds are available within the District's accounts and are budgeted appropriately to pay such sums. All Contracts approved pursuant to this Policy are subject to appropriation and budget requirements in accordance with Colorado law.

## **8. PROHIBITIONS**

Notwithstanding any authorization in this Policy to the contrary, Directors of the District shall not:

a. Engage in a substantial financial transaction for their private business purposes with a person or company whom they oversee or supervise in the course of their official duties;

b. Perform an official act that is directly and substantially to the economic benefit of a business or other undertaking in which they either have a substantial financial interest or are engaged as counsel, consultant, representative or agent;

c. Accept goods or services for their own personal benefit from a person who is at the same time receiving compensation for providing goods or services to the District, unless the totality of the circumstances related to the acceptance of the goods or services indicates that the transaction is legitimate, the terms are fair to both parties, the transaction is supported by full and adequate consideration, and the Director or employee does not receive any substantial benefit resulting from their official or governmental status that is unavailable to members of the public generally; or

d. Have a financial interest in any contract made by them in their official capacity, as set forth in Section 24-18-201, C.R.S, as may be amended from time to time.

**Exhibit B**  
**2022 Final Assessed Valuation**

# CERTIFICATION OF VALUATION BY WELD COUNTY ASSESSOR

Name of Jurisdiction: 1369 - COTTONWOOD HOLLOW RESIDENTIAL METRO

IN WELD COUNTY ON 11/28/2022

New Entity: No

**USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY**

IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2022 IN WELD COUNTY, COLORADO

1. PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	\$1,369,587
2. CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: *	\$10,999,820
3. LESS TIF DISTRICT INCREMENT, IF ANY:	\$4,671,037
4. CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	\$6,328,783
5. NEW CONSTRUCTION: **	\$42,800
6. INCREASED PRODUCTION OF PRODUCING MINES: #	\$0
7. ANNEXATIONS/INCLUSIONS:	\$5,929,160
8. PREVIOUSLY EXEMPT FEDERAL PROPERTY: #	\$0
9. NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD ## OR LAND ( 29-1-301(1)(b) C.R.S.):	\$0
10. TAXES COLLECTED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1))(a) C.R.S.):	\$0.00
11. TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a) C.R.S.) and (39-10-114(1)(a)(I)(B) C.R.S.):	\$0.00

\* This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec.20(8)(b),Colo.

\*\* New construction is defined as: Taxable real property structures and the personal property connected with the structure.

# Jurisdiction must submit respective certifications (Forms DLG 52 AND 52A) to the Division of Local Government in order for the values to be treated as growth in the limit calculation.

## Jurisdiction must apply (Forms DLG 52B) to the Division of Local Government before the value can be treated as growth in the limit calculation.

**USE FOR 'TABOR' LOCAL GROWTH CALCULATIONS ONLY**

IN ACCORDANCE WITH THE PROVISION OF ARTICLE X, SECTION 20, COLO CONST, AND 39-5-121(2)(b),C.R.S. THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2022 IN WELD COUNTY, COLORADO ON AUGUST 25, 2022

1. CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: @	\$13,887,022
ADDITIONS TO TAXABLE REAL PROPERTY:	
2. CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: !	\$456,951
3. ANNEXATIONS/INCLUSIONS:	\$6,235,721
4. INCREASED MINING PRODUCTION: %	\$0
5. PREVIOUSLY EXEMPT PROPERTY:	\$0
6. OIL OR GAS PRODUCTION FROM A NEW WELL:	\$0
7. TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT:	\$0
<small>(If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.)</small>	
DELETIONS FROM TAXABLE REAL PROPERTY:	
8. DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	\$0
9. DISCONNECTIONS/EXCLUSION:	\$0
10. PREVIOUSLY TAXABLE PROPERTY:	\$0

@ This includes the actual value of all taxable real property plus the actual value of religious, private schools, and charitable real property.

! Construction is defined as newly constructed taxable real property structures.

% Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS : 1. TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY:----->	\$0
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NOTE: All levies must be Certified to the Board of County Commissioners NO LATER THAN DECEMBER 15, 2022

IN ACCORDANCE WITH 39-5-128(1.5)C.R.S. THE ASSESSOR PROVIDES: HB21-1312 ASSESSED VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY (ESTIMATED): **	
<small>** The tax revenue lost due to this exempted value will be reimbursed to the tax entity by the County Treasurer in accordance with 39-3-119 f(3). C.R.S.</small>	

**Exhibit C**  
**2023 Budget**



**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT**  
**ANNUAL BUDGET**  
**FOR THE YEAR ENDING DECEMBER 31, 2023**

**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT  
SUMMARY  
2023 BUDGET  
WITH 2021 AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/29/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 335,863	\$ 24,319,601	\$ 2,289,280
REVENUES			
Property taxes	188,574	90,033	413,402
Specific ownership taxes	14,111	8,450	24,804
Developer Advance	3,026,241	96,651	-
Interest income	4,400	40,626	28,195
TIF (Tax increment financing)	44,828	47,478	305,116
Bond issuance	30,147,000	-	-
Total revenues	<u>33,425,154</u>	<u>283,238</u>	<u>771,517</u>
TRANSFERS IN			
Transfers from Other Funds	<u>82,874</u>	<u>-</u>	<u>-</u>
Total funds available	<u>33,843,891</u>	<u>24,602,839</u>	<u>3,060,797</u>
EXPENDITURES			
General Fund	141,547	125,000	111,500
Debt Service Fund	203,394	130,291	635,464
Capital Projects Fund	6,070,234	22,058,268	2,310,345
Total expenditures	<u>6,415,175</u>	<u>22,313,559</u>	<u>3,057,309</u>
REPAY DEVELOPER ADVANCES			
Repay developer advance	3,026,241	-	-
Repay developer advance - interest	-	-	-
Total Repay Developer Advances	<u>3,026,241</u>	<u>-</u>	<u>-</u>
TRANSFERS OUT			
Transfers to Other Funds	<u>82,874</u>	<u>-</u>	<u>-</u>
Total expenditures, transfers out and developer advance repayments requiring appropriation	<u>9,524,290</u>	<u>22,313,559</u>	<u>3,057,309</u>
ENDING FUND BALANCES	<u>\$ 24,319,601</u>	<u>\$ 2,289,280</u>	<u>\$ 3,488</u>
Emergency Reserve	\$ 1,138	\$ 675	\$ 3,429
TOTAL RESERVE	<u>\$ 1,138</u>	<u>\$ 675</u>	<u>\$ 3,429</u>

No assurance provided. See summary of significant assumptions.

**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT  
PROPERTY TAX SUMMARY INFORMATION  
2023 BUDGET  
WITH 2021 AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/29/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
<b>ASSESSED VALUATION - WELD COUNTY</b>			
Residential - Single Family	\$ -	\$ -	\$ 126,310
Commercial	-	-	11,050
Oil & Gas	-	-	10,080,620
Agricultural	33,381	18,081	31,570
State assessed	129,080	158,410	8,880
Vacant land	-	276,650	464,220
Personal property	-	-	277,170
Other	4,125,849	1,793,990	-
	<u>4,288,310</u>	<u>2,247,120</u>	<u>10,999,820</u>
TIF District Increment	(1,416,321)	(877,533)	(4,671,037)
Certified Assessed Value	<u>\$ 2,871,989</u>	<u>\$ 1,369,587</u>	<u>\$ 6,328,783</u>
<b>MILL LEVY</b>			
General	10.070	10.070	10.006
Debt Service	55.664	55.664	55.315
Total mill levy	<u>65.734</u>	<u>65.734</u>	<u>65.321</u>
<b>PROPERTY TAXES</b>			
General	\$ 28,921	\$ 13,792	\$ 63,326
Debt Service	159,866	76,237	350,076
Levied property taxes	188,787	90,029	413,402
Adjustments to actual/rounding	(213)	5	-
Budgeted property taxes	<u>\$ 188,574</u>	<u>\$ 90,034</u>	<u>\$ 413,402</u>
<b>BUDGETED PROPERTY TAXES</b>			
General	<b>\$ 28,888</b>	<b>\$ 13,793</b>	<b>\$ 63,326</b>
Debt Service	<b>159,686</b>	<b>76,241</b>	<b>350,076</b>
	<u><b>\$ 188,574</b></u>	<u><b>\$ 90,034</b></u>	<u><b>\$ 413,402</b></u>

No assurance provided. See summary of significant assumptions.

**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT  
GENERAL FUND  
2023 BUDGET  
WITH 2021 AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/29/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 27,268	\$ 6,518	675
REVENUES			
Property taxes	28,888	13,793	63,326
Specific ownership taxes	2,162	1,294	3,800
Developer Advance	-	96,651	-
Interest income	6	146	450
TIF (Tax increment financing)	6,867	7,273	46,738
Total revenues	<u>37,923</u>	<u>119,157</u>	<u>114,313</u>
TRANSFERS IN			
Transfers from Other Funds	<u>82,874</u>	-	-
Total funds available	<u>148,065</u>	<u>125,675</u>	<u>114,988</u>
EXPENDITURES			
Accounting	68,835	65,000	30,000
Auditing	4,700	13,200	6,600
County treasurer's fee	433	207	950
Dues and membership	342	1,238	1,300
Insurance	2,596	2,970	3,200
Legal	50,011	25,000	30,000
Election expense	8,139	2,500	2,500
Directors Fee	1,200	2,400	2,400
Miscellaneous	3,046	700	700
Banking fees	-	800	800
Engineering	1,698	-	2,000
Utilities	547	613	650
Contingency	-	10,372	30,400
Total expenditures	<u>141,547</u>	<u>125,000</u>	<u>111,500</u>
Total expenditures and transfers out requiring appropriation	<u>141,547</u>	<u>125,000</u>	<u>111,500</u>
ENDING FUND BALANCES	<u>\$ 6,518</u>	<u>\$ 675</u>	<u>\$ 3,488</u>
Emergency Reserve	\$ 1,138	\$ 675	\$ 3,429
Available or Surplus Pledged Revenue Funds	-	-	-
TOTAL RESERVE	<u>\$ 1,138</u>	<u>\$ 675</u>	<u>\$ 3,429</u>

No assurance provided. See summary of significant assumptions.

**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT  
DEBT SERVICE FUND  
2023 BUDGET  
WITH 2021 AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/29/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ -	\$ 6,210	\$ -
REVENUES			
Property taxes	159,686	76,240	350,076
Specific ownership taxes	11,949	7,156	21,005
Interest income	8	480	6,005
TIF (Tax increment financing)	37,961	40,205	258,378
Total revenues	<u>209,604</u>	<u>124,081</u>	<u>635,464</u>
Total funds available	<u>209,604</u>	<u>130,291</u>	<u>635,464</u>
EXPENDITURES			
County Treasurer's fee	2,395	1,146	5,251
Bond interest	200,999	129,145	630,213
Total expenditures	<u>203,394</u>	<u>130,291</u>	<u>635,464</u>
Total expenditures requiring appropriation	<u>203,394</u>	<u>130,291</u>	<u>635,464</u>
ENDING FUND BALANCES	<u>\$ 6,210</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT  
CAPITAL PROJECTS FUND  
2023 BUDGET  
WITH 2021 AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/29/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ 308,595	\$ 24,306,873	\$ 2,288,605
REVENUES			
Interest income	4,386	40,000	21,740
Bond issuance	30,147,000	-	-
Developer advance	3,026,241	-	-
Total revenues	<u>33,177,627</u>	<u>40,000</u>	<u>21,740</u>
Total funds available	<u>33,486,222</u>	<u>24,346,873</u>	<u>2,310,345</u>
EXPENDITURES			
Accounting	8,601	20,000	20,000
Legal	38,058	22,000	25,000
Paying agent fees	5,000	5,000	5,000
Bond Issue Costs	952,440	-	-
Engineering	12,684	11,268	10,000
Capital outlay	5,053,451	22,000,000	2,250,345
Total expenditures	<u>6,070,234</u>	<u>22,058,268</u>	<u>2,310,345</u>
TRANSFERS OUT			
Transfers to General Fund	<u>(82,874)</u>	-	-
REPAY DEVELOPER ADVANCES			
Repay developer advance	(3,026,241)	-	-
Repay developer advance - interest	-	-	-
Total Repay Developer Advances	<u>(3,026,241)</u>	-	-
Total expenditures, transfers out and developer advance repayments requiring appropriation	<u>27,037,885</u>	<u>22,058,268</u>	<u>2,310,345</u>
ENDING FUND BALANCES	<u>\$ 24,306,873</u>	<u>\$ 2,288,605</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

Cottonwood Hollow Commercial Metropolitan District (the 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 operates under a Service Plan approved by the Town on October 14, 2004 and as Amended and Restated on April 5, 2019. Pursuant to the Service Plan, the District was organized for the purpose of financing streets, street lighting, traffic and safety controls, water, landscaping, storm drainage and park and recreation improvements, all in accordance with its Service Plan. When completed, improvements shall be dedicated to the Town or other governmental entities, all for the use and benefit of residents and taxpayers, or operated and maintained by contract with a Homeowners' Association formed for the Cottonwood Hollow subdivision.

On November 6, 2014, the District's voters authorized total indebtedness of \$11,000,000 for the purpose of providing Public Improvements and \$5,500,000 for the purpose of Debt for Operations and \$16,500,000 for refunding of debt. The election also approved an annual increase in property taxes of \$11,000,000 without limitation of rate, to pay the District's operation and maintenance costs.

The Maximum Mill Levies shall not exceed fifty (50) mills for debt service purposes and shall not exceed ten (10) mills for administration and operating expenses. If, on or after January 1, 2004, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the Maximum Combined Mill Levy may be increased or decreased to reflect such changes, such increases or decreases. The adjusted maximum mill levy is 65.321 mills.

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

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues**

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 6% of the property taxes collected.

**Interest Income**

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.90%.

**Tax Increment Financing (TIF)**

Pursuant to a cooperation agreement with Northern Firestone Urban Renewal Authority (NFURA), NFURA remits to the District the portion of revenues which it receives as a result of Tax Incremental Revenues attributable to the District's current mill levy.

**Expenditures**

**Administrative Expenditures**

Administrative expenditures include the services necessary to maintain the District's administrative viability such as legal, accounting, managerial, insurance, banking, meeting expense, and other administrative expenses. These costs are allocated to each Fund as deemed appropriate to capture actual use by the individual Funds.



**COTTONWOOD HOLLOW RESIDENTIAL METRO DISTRICT  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Expenditures – (continued)**

**County Treasurer’s Fees**

County Treasurer’s fees have been computed at 1.5% of property tax collections.

**Debt Service**

Principal and interest payments are provided based on the debt amortization schedule from the Series 2021(3) Bonds (discussed under Debt and Leases).

**Capital Outlay**

The District anticipates infrastructure improvements as noted in the Capital Projects fund.

**Debt and Leases**

In June 2021, the District issued \$30,147,000 in Series 2021(3) Limited Tax Obligation Bonds. The Bonds shall constitute limited tax general obligations of the District secured by and payable from the pledged revenues. The Bonds are cash flow bonds due on December 15, 2051 at an interest rate of 5.00%.

The District has no capital or operating leases.

**Reserves**

**Emergency Reserve**

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending as defined under TABOR.

**This information is an integral part of the accompanying budget.**

**Exhibit D**  
**2020 and 2021 Audits**

**COTTONWOOD HOLLOW RESIDENTIAL  
METROPOLITAN DISTRICT  
Weld County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**


**YEAR ENDED DECEMBER 31, 2020**


**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
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To the Board of Directors  
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, 2020, 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 Hollow Residential Metropolitan District, as of December 31, 2020, 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.

*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.

*Haynie & Company*

Littleton, Colorado  
April 18, 2023

## **BASIC FINANCIAL STATEMENTS**

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 27,831
Receivable from County Treasurer	3,431
Prepaid Expenses	2,521
Property Taxes Receivable	188,787
Due from Developer	3,182,210
Total Assets	3,404,780
<b>LIABILITIES</b>	
Accounts Payable	6,515
Due to Other Governments	2,873,615
Total Liabilities	2,880,130
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	188,787
Total Deferred Inflows of Resources	188,787
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserves	30,500
Unrestricted	305,363
Total Net Position	\$ 335,863

See accompanying Notes to Basic Financial Statements.



**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Governmental Activities:					
General Government	\$ 64,723	\$ -	\$ -	\$ -	\$ (64,723)
Total Governmental Activities	\$ 64,723	\$ -	\$ -	\$ -	(64,723)
<b>GENERAL REVENUES</b>					
Property Taxes					722,949
Specific Ownership Taxes					45,163
NFURA TIF revenue					242,040
Interest Income					4,233
Total General Revenues					1,014,385
<b>CHANGE IN NET POSITION</b>					949,662
Net Position - Beginning of Year as Restated					(613,799)
<b>NET POSITION - END OF YEAR</b>					\$ 335,863

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments - Restricted	\$ 27,831	\$ -	\$ -	\$ 27,831
Receivable from County Treasurer	3,431	-	-	3,431
Prepaid Expenses	2,521	-	-	2,521
Property Taxes Receivable	28,921	159,866	-	188,787
Due from Developer	-	-	3,182,210	3,182,210
Total Assets	\$ 62,704	\$ 159,866	\$ 3,182,210	\$ 3,404,780
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,515	\$ -	\$ -	\$ 6,515
Due to Other Governments	-	-	2,873,615	2,873,615
Total Liabilities	6,515	-	2,873,615	2,880,130
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax Revenue	28,921	159,866	-	188,787
Total Deferred Inflows of Resources	28,921	159,866	-	188,787
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Expenses	2,521	-	-	2,521
Restricted For:				
Emergency Reserves	30,500	-	-	30,500
Capital Projects	-	-	308,595	308,595
Unassigned	(5,753)	-	-	(5,753)
Total Fund Balances	27,268	-	308,595	335,863
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 62,704	\$ 159,866	\$ 3,182,210	\$ 3,404,780

Amounts reported for governmental activities in the statement of net position are the same as above.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Bond Proceeds				
Property Taxes	\$ 722,949	\$ -	\$ -	\$ 722,949
Specific Ownership Taxes	45,163	-	-	45,163
Interest Income	4,233	-	-	4,233
NFURA TIF Revenue	242,040	-	-	242,040
Total Revenues	<u>1,014,385</u>	<u>-</u>	<u>-</u>	<u>1,014,385</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	11,371	-	-	11,371
Audit	5,700	-	-	5,700
County Treasurer's Fees	10,908	-	-	10,908
Dues and Membership	433	-	-	433
Insurance	2,510	-	-	2,510
Legal	33,282	-	-	33,282
Banking Fees	519	-	-	519
Total Expenditures	<u>64,723</u>	<u>-</u>	<u>-</u>	<u>64,723</u>
<b>NET CHANGE IN FUND BALANCES</b>	949,662	-	-	949,662
Fund Balances - Beginning of Year as Restated	<u>(922,394)</u>	<u>-</u>	<u>308,595</u>	<u>(613,799)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 27,268</u>	<u>\$ -</u>	<u>\$ 308,595</u>	<u>\$ 335,863</u>

Amounts reported for governmental activities in the statement of net position are the same as above.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 723,771	\$ 937,600	\$ 722,949	\$ (214,651)
Specific Ownership Taxes	55,080	44,333	45,163	830
Interest Income	-	4,000	4,233	233
TIF (Tax Increment Financing)	117,666	217,300	242,040	24,740
Total Revenues	<u>896,517</u>	<u>1,203,233</u>	<u>1,014,385</u>	<u>(188,848)</u>
<b>EXPENDITURES</b>				
Accounting	7,640	7,640	11,371	(3,731)
Audit	6,000	6,000	5,700	300
Contingency	26,895	36,097	-	36,097
County Treasurer's Fees	9,064	10,900	10,908	(8)
Dues and Membership	-	-	433	(433)
Insurance	3,000	3,000	2,510	490
Legal	22,360	22,360	33,282	(10,922)
TIF Expense	105,323	217,300	-	217,300
Miscellaneous	500	500	-	500
Banking Fees	700	500	519	(19)
Engineering	10,000	-	-	-
Capital Outlay	707,000	-	-	-
Intergovernmental Expenditures	-	307,500	-	307,500
Total Expenditures	<u>898,482</u>	<u>611,797</u>	<u>64,723</u>	<u>547,074</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(1,965)</u>	<u>591,436</u>	<u>949,662</u>	<u>358,226</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to/from Other Funds	-	(700,000)	-	700,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(700,000)</u>	<u>-</u>	<u>700,000</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	(1,965)	(108,564)	949,662	1,058,226
Fund Balances - Beginning of Year	<u>2,752</u>	<u>132,589</u>	<u>(922,394)</u>	<u>(1,054,983)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 787</u>	<u>\$ 24,025</u>	<u>\$ 27,268</u>	<u>\$ 3,243</u>

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Cottonwood Hollow Residential Metropolitan District (the 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), Weld County, 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 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 has no employees, and all operations and administrative functions are contracted.

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Government-Wide and Fund Financial Statements (Continued)**

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 as general revenues.

Separate financial statements are provided for the 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 District 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, specific ownership taxes and sales tax. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**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 and other financing uses 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.

The District amended its annual budget for the year ended December 31, 2020.

**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 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 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item *deferred property tax revenue* is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.



**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 27,831
Total Cash and Investments	<u>\$ 27,831</u>

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 27,831
Total Cash and Investments	<u>\$ 27,831</u>

**Deposits with Financial Institutions**

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 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, 2020, the District's cash deposits had a bank balance of \$37,498 and a carrying balance of \$27,831.

**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 or investment custodial risk disclosure requirements for investments 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.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Investments (Continued)**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2020, the District had no investments.

**NOTE 4 LONG-TERM OBLIGATIONS**

**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 \$156,150,000, at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had authorized and unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 8 2016 Election</u>	<u>Total Authorized Debt</u>
Streets	\$ 19,320,000	\$ 19,320,000
Water	14,475,000	14,475,000
Parks and Recreation	27,780,000	27,780,000
Debt for Operations	16,500,000	16,500,000
Refunding	78,075,000	78,075,000
Total	<u>\$ 156,150,000</u>	<u>\$ 156,150,000</u>

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 5 FUND BALANCES**

At December 31, 2020, the District reported the following classifications of fund equity.

Nonspendable – The nonspendable fund balance in the General Fund in the amount of \$2,521 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 \$30,500 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.

Unrestricted – Amounts that are available for any purpose.

**NOTE 6 NET POSITION**

The District's net position consists of two components: restricted and unrestricted.

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, 2020, consists of \$30,500 for emergency reserves.

As of December 31, 2020, the District had an unrestricted net position of \$305,363. This unrestricted net position is the amount of net position not invested in capital assets or restricted for emergencies.

**NOTE 7 RELATED PARTIES**

Certain members of the board of directors of the District are employees, owners or associated with Mortgage Consultants, LLC (Developer) 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.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 8 AGREEMENTS**

**Advance and Reimbursement Agreement – Mortgage Consultants, LLC**

The District entered into an infrastructure acquisition agreement with the Developer on January 1, 2017. This agreement established the terms and conditions for reimbursing the Developer for hard and soft construction costs pursuant to the District's reimbursement policy and specifies simple interest to accrue on amounts accepted for reimbursement at an annual rate of 7.0%. 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, debt service costs, and expenses of the District.

**Water Credits**

On February 7, 2018, Mortgage Consultants, LLC, purchased a total of 131 water credits from the Town for a purchase price of \$5,458,989 (equivalent to \$41,672 per certificate) for commercial and residential use. On April 4, 2019, Mortgage Consultants, LLC, conveyed 56.18 water credits to the Town, on behalf of the District and Cottonwood Hollow Commercial District, for exclusive use within their commercial and residential developments. On June 7, 2019, the board of directors of the District approved a reimbursement to Mortgage Consultants, LLC, in the amount of \$1,240,790 for the District's share of the 56.18 water credits that were dedicated to the Town, with \$437,954 approved for immediate payment and the balance of \$802,836 to be approved for reimbursement by the board of directors at a later date, subject to the availability of District funds. The District anticipates that Mortgage Consultants, LLC, will convey the balance of 74.82 water credits to the Town in the future as development progresses within both the District and Cottonwood Hollow Commercial Metropolitan District, for the exclusive use within those Districts.

**NOTE 9 RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., 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, workers compensation, and public officials' liability 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 BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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.

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. As of December 31, 2020, the District had provided but did not fully fund an Emergency Reserve, which may be a violation of the Constitutional Amendment

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. During 2020, the District did not have sufficient funds to provide for the full emergency reserve.

**NOTE 11 RESTATEMENT**

The beginning balance of net position has been restated from the previously issued financial statements to correct for errors that occurs during the years ended December 31, 2017, 2018, and 2019. The statement of net position cumulated effect as of December 31, 2019, understated due from developer by \$786,273, overstated capital assets by \$1,797,198, overstated liabilities by \$12,138. The statement of activities for the year ended December 31, 2019, overstated developer interest and dedication of capital assets to other governments by \$1,324,718. The effects of the correction on the government-wide financial statements as of and for the year ended December 31, 2019, are as follows:

Net Position - December 31, 2019, as Originally Stated	\$ 384,988
Net Effect of Restatement:	
Due from Developer	786,273
Capital Assets	(1,797,198)
Due to Other Governments	(1,532,661)
Long-Term Obligations	1,544,799
Net Position - December 31, 2019, as Restated	<u><u>\$ (613,799)</u></u>

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 11 RESTATEMENT (CONTINUED)**

The beginning balance of the fund balances has been restated from the previously issued financial statements to correct for errors that occurs during the years ended December 31, 2017, 2018, and 2019. The balance sheet cumulated effect as of December 31, 2019, understated due from developer by \$786,273 and understated liabilities by \$1,532,661. The statement of revenue, expenditures, and changes in fund balances for the year ended December 31, 2019, overstated developer repayment - principal and interest by \$207,303 and overstated capital outlay by \$1,774,333. The effects of the correction on the governmental funds financial statements as of and for the year ended December 31, 2019, are as follows:

Fund Balances - December 31, 2019, as Originally Stated	\$ 132,589
Net Effect of Restatement:	
Due from Developer	786,273
Due to Other Governments	<u>(1,532,661)</u>
Fund Balances - December 31, 2019, as Restated	<u>\$ (613,799)</u>

**SUPPLEMENTARY INFORMATION**

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Bond Proceeds	\$ -	\$ 11,250,000	\$ -	\$ (11,250,000)
Total Revenues	-	11,250,000	-	(11,250,000)
<b>EXPENDITURES</b>				
Bond Issue Costs	-	337,500	-	337,500
Underwriter's Discount	-	185,000	-	185,000
Total Expenditures	-	522,500	-	522,500
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	10,727,500	-	(10,727,500)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Fund	-	(8,852,959)	-	8,852,959
Total Other Financing Sources (Uses)	-	(8,852,959)	-	8,852,959
<b>NET CHANGE IN FUND BALANCES</b>	-	1,874,541	-	(1,874,541)
Fund Balances - Beginning of Year	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ -</b>	<b>\$ 1,874,541</b>	<b>\$ -</b>	<b>\$ (1,874,541)</b>



**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Total Revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Repay Developer Advance - Principal	-	1,492,000	-	(1,492,000)
Repay Developer Advance - Interest	-	138,000	-	(138,000)
Total Expenditures	-	1,630,000	-	1,630,000
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(1,630,000)	-	1,630,000
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from General Fund	-	700,000	-	(700,000)
Transfers from Debt Service	-	8,852,959	-	(8,852,959)
Total Other Financing Sources (Uses)	-	9,552,959	-	(9,552,959)
<b>NET CHANGE IN FUND BALANCES</b>	-	7,922,959	-	(7,922,959)
Fund Balances - Beginning of Year	-	-	308,595	308,595
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ 7,922,959	\$ 308,595	\$ (7,614,364)

## **OTHER INFORMATION**

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Total Property Taxes		Percentage Collected to Levied
		General	Bonds and Interest	Refunds/ Abatements	Levied	Collected	
2016	\$ 115,930	50.000	0.000	0.000	\$ 5,797	\$ 7,084	122.20 %
2017	15,514,140	50.000	0.000	0.000	775,707	775,707	100.00
2018	9,191,430	61.911	0.000	0.000	569,051	569,236	100.03
2019	11,680,873	61.911	0.000	0.000	723,175	500,318	69.18
2020	5,286,288	65.277	0.000	71.638	723,771	722,949	99.89
Estimated for the Year Ending December 31, 2021	\$ 4,288,310	10.070	55.664	0.000	\$ 188,787		

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.

**COTTONWOOD HOLLOW RESIDENTIAL  
METROPOLITAN DISTRICT  
Weld County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**


**YEAR ENDED DECEMBER 31, 2021**


**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
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## Independent Auditor's Report

Members of the Board of Directors

Cottonwood Hollow Residential Metropolitan District

### Opinions

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, 2021, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major funds of Cottonwood Hollow Residential Metropolitan District, as of December 31, 2021, and the respective changes in financial position and the budgetary comparison for the General 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 Cottonwood Hollow Residential Metropolitan 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 opinion.

### Responsibilities 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; 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.

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 Cottonwood Hollow Residential Metropolitan District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities 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 opinion. 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, including omissions, 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.



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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 Cottonwood Hollow Residential Metropolitan 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 Cottonwood Hollow Residential Metropolitan 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.

#### **Other Matters**

##### *Required Supplementary Information*

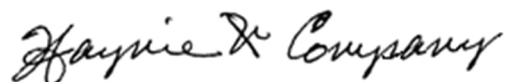
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 opinion on the basic financial statements is not affected by this missing information.

##### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cottonwood Hollow Residential Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The other information section 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.



Littleton, Colorado  
May 17, 2023

## **BASIC FINANCIAL STATEMENTS**



**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 30,679
Cash and Investments - Restricted	28,218,709
Receivable from County Treasurer	1,169
TIF Receivable	46,615
Prepaid Expenses	2,970
Property Taxes Receivable	90,028
Due from Developer	155,969
Capital Assets, Not Being Depreciated	5,066,135
Total Assets	33,612,274
<b>LIABILITIES</b>	
Accounts Payable	1,060,103
Due to Other Governments	2,975,845
Noncurrent Liabilities:	
Due in More Than One Year	30,760,319
Total Liabilities	34,796,267
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	90,028
Deferred CTF Proceeds	53,947
Total Deferred Inflows of Resources	143,975
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserves	1,400
Unrestricted	(1,329,368)
Total Net Position	\$ (1,327,968)

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 141,547	\$ -	\$ -	\$ -	\$ (141,547)
Interest and Related Costs on Long-Term Debt	1,820,812	-	-	-	(1,820,812)
Total Governmental Activities	\$ 1,962,359	\$ -	\$ -	\$ -	(1,962,359)
<b>GENERAL REVENUES</b>					
Property Taxes					188,574
Specific Ownership Taxes					14,111
NFURA TIF revenue					91,443
Interest Income					4,400
Total General Revenues					298,528
<b>CHANGE IN NET POSITION</b>					(1,663,831)
Net Position - Beginning of Year					335,863
<b>NET POSITION - END OF YEAR</b>					\$ (1,327,968)

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 30,679	\$ -	\$ -	\$ 30,679
Cash and Investments - Restricted	1,400	5,220	28,212,089	28,218,709
Receivable from County Treasurer	179	990	-	1,169
TIF Receivable	7,141	39,474	-	46,615
Prepaid Expenses	2,970	-	-	2,970
Property Taxes Receivable	13,792	76,236	-	90,028
Due from Developer	-	-	155,969	155,969
Total Assets	\$ 56,161	\$ 121,920	\$ 28,368,058	\$ 28,546,139
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 28,710	\$ -	\$ 1,031,393	\$ 1,060,103
Due to Other Governments	-	-	2,975,845	2,975,845
Total Liabilities	28,710	-	4,007,238	4,035,948
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax Revenue	13,792	76,236	-	90,028
Deferred CFT Proceeds	-	-	53,947	53,947
Total Deferred Inflows of Resources	13,792	76,236	53,947	143,975
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Expenses	2,970	-	-	2,970
Restricted for:				
Emergency Reserves	1,400	-	-	1,400
Debt Service	-	45,684	-	45,684
Capital Projects	-	-	24,306,873	24,306,873
Unassigned	9,289	-	-	9,289
Total Fund Balances	13,659	45,684	24,306,873	24,366,216
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 56,161	\$ 121,920	\$ 28,368,058	

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.

Capital Assets, Not Being Depreciated 5,066,135

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable (30,147,000)  
Accrued Interest on Bonds Payable (613,319)

Net Position of Governmental Activities \$ (1,327,968)

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Bond Proceeds				
Property Taxes	\$ 28,888	\$ 159,686	\$ -	\$ 188,574
Specific Ownership Taxes	2,162	11,949	-	14,111
Interest Income	6	8	4,386	4,400
NFURA TIF Revenue	14,008	77,435	-	91,443
Total Revenues	<u>45,064</u>	<u>249,078</u>	<u>4,386</u>	<u>298,528</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	68,835	-	8,601	77,436
Audit	4,700	-	-	4,700
County Treasurer's Fees	433	2,395	-	2,828
Dues and Membership	342	-	-	342
Directors Fees	1,200	-	-	1,200
Insurance	2,596	-	-	2,596
Utilities	547	-	-	547
Legal	50,011	-	38,058	88,069
Election	8,139	-	-	8,139
Miscellaneous	3,046	-	-	3,046
Banking Fees	-	-	5,000	5,000
Engineering	1,698	-	12,684	14,382
Debt Service:				
Bond Interest	-	200,999	-	200,999
Capital Outlay:				
Bond Issuance Costs	-	-	952,440	952,440
Capital Outlay	-	-	5,053,451	5,053,451
Total Expenditures	<u>141,547</u>	<u>203,394</u>	<u>6,070,234</u>	<u>6,415,175</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(96,483)	45,684	(6,065,848)	(6,116,647)
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advances	-	-	3,026,241	3,026,241
Repayment of Developer Advances	-	-	(3,026,241)	(3,026,241)
Bond Proceeds	-	-	30,147,000	30,147,000
Transfer to/from Other Funds	82,874	-	(82,874)	-
Total Other Financing Sources (Uses)	<u>82,874</u>	<u>-</u>	<u>30,064,126</u>	<u>30,147,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(13,609)	45,684	23,998,278	24,030,353
Fund Balances - Beginning of Year	<u>27,268</u>	<u>-</u>	<u>308,595</u>	<u>335,863</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 13,659</u>	<u>\$ 45,684</u>	<u>\$ 24,306,873</u>	<u>\$ 24,366,216</u>

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 24,030,353

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

Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure. However, the Statement of Activities will report as depreciation expense the allocation of any cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay 5,066,135

Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term debt and related items is as follows.

Bond Issuance	(30,147,000)
Developer Advances	(3,026,241)
Repayment of Developer Advances	3,026,241

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Developer Advance - Change in Liability (613,319)

Change in Net Position of Governmental Activities \$ (1,663,831)

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 28,921	\$ 28,888	\$ 28,888	\$ -
Specific Ownership Taxes	2,024	2,162	2,162	-
Interest Income	-	6	6	-
TIF (Tax increment financing)	14,198	6,867	14,008	7,141
Total Revenues	<u>45,143</u>	<u>37,923</u>	<u>45,064</u>	<u>7,141</u>
<b>EXPENDITURES</b>				
Accounting	10,000	68,835	68,835	-
Audit	6,000	4,700	4,700	-
Contingency	15,598	18,453	-	18,453
County Treasurer's Fees	434	433	433	-
Dues and Membership	700	342	342	-
Directors Fees	-	1,200	1,200	-
Insurance	3,000	2,596	2,596	-
Utilities	-	547	547	-
Legal	30,000	50,011	50,011	-
Election	-	8,139	8,139	-
Miscellaneous	2,000	3,046	3,046	-
Engineering	-	1,698	1,698	-
Total Expenditures	<u>67,732</u>	<u>160,000</u>	<u>141,547</u>	<u>18,453</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(22,589)</u>	<u>(122,077)</u>	<u>(96,483)</u>	<u>25,594</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from Other Funds	-	94,809	82,874	(11,935)
Total Other Financing Sources	<u>-</u>	<u>94,809</u>	<u>82,874</u>	<u>(11,935)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(22,589)	(27,268)	(13,609)	13,659
Fund Balances - Beginning of Year	<u>25,025</u>	<u>27,268</u>	<u>27,268</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,436</u>	<u>\$ -</u>	<u>\$ 13,659</u>	<u>\$ 13,659</u>

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Cottonwood Hollow Residential Metropolitan District (the 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 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 has no employees, and all operations and administrative functions are contracted.

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**Government-Wide and Fund Financial Statements (Continued)**

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 as general revenues.

Separate financial statements are provided for the 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 District 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, specific ownership taxes and sales tax. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Funds is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.



**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**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 and other financing uses 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.

The District amended its annual budget for the year ended December 31, 2021.

**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 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 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported 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 acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Capital Assets (Continued)**

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 fixed assets, as applicable.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item *deferred property tax revenue* is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**Equity (Continued)**

**Fund Balance (Continued)**

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 30,679
Cash and Investments - Restricted	<u>28,218,709</u>
Total Cash and Investments	<u><u>\$ 28,249,388</u></u>

Cash and investments as of December 31, 2021, consist of the following:

Deposits with Financial Institutions	\$ 21,341
Investments	<u>28,228,047</u>
Total Cash and Investments	<u><u>\$ 28,249,388</u></u>

**Deposits with Financial Institutions**

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 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.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**Deposits with Financial Institutions (Continued)**

At December 31, 2021, the District's cash deposits had a bank balance and carrying balance of \$21,341.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding 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 or investment custodial risk disclosure requirements for investments 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, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 28,228,047</u>

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**Investments (Continued)**

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+ and COLOTRUST EDGE. All portfolios may invest in U.S. treasury securities and repurchase agreements collateralized by U.S. treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**NOTE 4 CAPITAL ASSETS**

An analysis of the change in capital assets for the year ended December 31, 2021, follows:

	Balance - December 31, 2020	Increases	Decreases	Balance - December 31, 2021
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 5,066,135	\$ -	\$ 5,066,135
Total Capital Assets, Not Being Depreciated	-	5,066,135	-	5,066,135
Governmental Activities Capital Assets, Net	\$ -	\$ 5,066,135	\$ -	\$ 5,066,135

Upon completion and acceptance, a significant portion of capital assets will be conveyed by the District to other local governments. The District will not be responsible for the maintenance of those assets. Upon acceptance of the improvements, the District will remove the cost of construction for its capital assets.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2021.

	Balance - December 31, 2020	Additions	Retirements	Balance - December 31, 2021	Due Within One Year
<b>Bonds Payable:</b>					
Limited Tax General Obligation Bonds - Series 2021	\$ -	\$ 30,147,000	\$ -	\$ 30,147,000	\$ -
Accrued Interest	-	613,319	-	613,319	-
<b>Subtotal of Bonds Payable</b>	<u>-</u>	<u>30,760,319</u>	<u>-</u>	<u>30,760,319</u>	<u>-</u>
<b>Loans/Notes from Direct Borrowings:</b>					
Developer Advances - Capital	-	3,026,241	3,026,241	-	-
<b>Subtotal of Loans/Notes from Direct Borrowings</b>	<u>-</u>	<u>3,026,241</u>	<u>3,026,241</u>	<u>-</u>	<u>-</u>
<b>Total Long Term Obligations</b>	<u>\$ -</u>	<u>\$ 33,786,560</u>	<u>\$ 3,026,241</u>	<u>\$ 30,760,319</u>	<u>\$ -</u>

**Limited Tax General Obligation Bonds, Series 2021**

On June 17, 2021, the District issued Limited Tax General Obligation Bonds, Series 2021 (Series 2021 Bonds) in the par amounts of \$30,147,000. Proceeds from the sale of the Bonds were used to: (a) pay or reimburse Project Costs; and (b) pay costs of issuance of the Series 2021 Bonds.

The Series 2021 Bonds bears interest at 5.000% per annum and are payable annually on December 1, beginning December 1, 2021 from, and to the extent of, Pledged Revenue available, if any, after payment of all interest then due and owing on the Bonds (including current interest, accrued and unpaid interest, and compounded interest). The Series 2021 Bonds mature on December 1, 2051. The Series 2021 Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Series 2021 Bonds compounds annually on each December 1.

In the event that any principal or interest on the Series 2021 Bonds remains unpaid after the application of all Pledged Revenues available therefor on December 2, 2060 (the "Discharge Date"), the Series 2021 Bonds will be deemed discharged.

**Security for the Bonds**

The Series 2021 Bonds are secured by and payable solely from and to the extent of Pledged Revenue which means: (a) the Property Tax Revenues; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; (c) Capital Fees, if any; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021**

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

**Limited Tax General Obligation Bonds, Series 2021 (Continued)**

Property Tax Revenues means the ad valorem property taxes derived from the District's imposition of the Required Mill Levy, net of the costs of collection of the County and any tax refunds or abatements authorized by or on behalf of the County, whether such revenues are received from the Authority pursuant to the Cooperation Agreement or directly from the County Treasurer.

Capital Fees means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed in the future by the District.

Required Mill Levy

Pursuant to the Indenture, the District has covenanted to impose a Required Mill Levy upon all taxable property of the District each year in the amount of 55.664 mills, subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2021, or such lesser mill levy which will pay all of the principal and interest on the Bonds in full.

Optional Redemption

The Series 2021 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
June 1, 2026 to May 31, 2027	3.00%
June 1, 2027 to May 31, 2028	2.00
June 1, 2028 to May 31, 2029	1.00
June 1, 2029, and thereafter	0.00

Events of Default for the Bonds

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- i. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the bond resolution;
- ii. The District defaults in the performance or observance of any other of the covenants in the bond resolution, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the District by the Owner.
- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

It is acknowledged that due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due shall not, of itself, constitute an event of Default under the Indenture.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

Events of Default for the Bonds (Continued)

Remedies on Occurrence of Event of Default for the Revenue Bonds Upon the occurrence and continuance of an Event of Default, the Trustee shall have the following rights and remedies which may be pursued:

- i. Mandamus or Other Suit: The Owner may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce its rights.

No Acceleration

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2021, the District was not in default.

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 \$156,150,000, at an interest rate not to exceed 18% per annum. At December 31, 2021, the District had authorized and unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized November 8 2016 Election	Authorization Used by Series 2021 Bonds	Authorized But Unissued as of December 31, 2021
Streets	\$ 19,320,000	\$ 13,276,593	\$ 6,043,407
Water	14,475,000	10,711,385	3,763,615
Parks and Recreation	27,780,000	6,159,022	21,620,978
Debt for Operations	16,500,000	-	16,500,000
Refunding	78,075,000	-	78,075,000
Total	\$ 156,150,000	\$ 30,147,000	\$ 126,003,000

**NOTE 6 FUND BALANCES**

At December 31, 2021, the District reported the following classifications of fund equity.

Non-spendable - The non-spendable fund balance in the General Fund in the amount of \$2,970 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 \$1,200 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.

Unrestricted - amounts that are available for any purpose.



**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 7 NET POSITION**

The District's net position consists of two components - restricted and unrestricted.

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, 2021, consists of \$1.200 for emergency reserves.

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued to construct public improvements for the benefit of other governmental entities, and which costs have not been recorded on the District's financial records.

**NOTE 8 RELATED PARTIES**

Certain members of the Board of Directors of the District are employees, owners or associated with Mortgage Consultants, LLC (Developer) 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.

**NOTE 9 AGREEMENTS**

**Advance and Reimbursement Agreement – Mortgage Consultants, LLC**

The District entered into an infrastructure acquisition agreement with the Developer on January 1, 2017. This agreement established the terms and conditions for reimbursing the Developer for hard and soft construction costs pursuant to the District's reimbursement policy and specifies simple interest to accrue on amounts accepted for reimbursement at an annual rate of 7.0%. 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, debt service costs and expenses of the District.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 9 AGREEMENTS (CONTINUED)**

**Water Credits**

On February 7, 2018, Mortgage Consultants, LLC purchased a total of 131 water credits from the Town for a purchase price of \$5,458,989 (equivalent to \$41,672 per certificate) for commercial and residential use. On April 4, 2019, Mortgage Consultants, LLC conveyed 56.18 water credits to the Town, on behalf of the District and Cottonwood Hollow Commercial District, for exclusive use within their commercial and residential developments. On June 7, 2019, the Board of Directors of the District approved a reimbursement to Mortgage Consultants, LLC in the amount of \$1,240,790 for the District's share of the 56.18 water credits that were dedicated to the Town, with \$437,954 approved for immediate payment and the balance of \$802,836 to be approved for reimbursement by the Board of Directors at a later date, subject to the availability of District funds. The District anticipates that Mortgage Consultants, LLC will convey the balance of 74.82 water credits to the Town in the future as development progresses within both the District and Cottonwood Hollow Commercial Metropolitan District, for the exclusive use within those Districts.

**NOTE 10 RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., 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, workers compensation, and public officials' liability 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.

**NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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.

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

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.

**SUPPLEMENTARY INFORMATION**

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 159,866	\$ 159,686	\$ 159,686	\$ -
Specific Ownership Taxes	11,191	11,949	11,949	-
Interest Income	-	8	8	-
TIF (Tax Increment Financing)	78,480	77,894	77,435	(459)
Total Revenues	<u>249,537</u>	<u>249,537</u>	<u>249,078</u>	<u>(459)</u>
<b>EXPENDITURES</b>				
County Treasurer's Fees	3,743	2,395	2,395	-
Bond Interest	484,167	200,999	200,999	-
Contingency	78,480	46,143	-	46,143
Total Expenditures	<u>566,390</u>	<u>249,537</u>	<u>203,394</u>	<u>46,143</u>
<b>NET CHANGE IN FUND BALANCES</b>	(316,853)	-	45,684	45,684
Fund Balances - Beginning of Year	<u>1,874,541</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 1,557,688</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 45,684</u></u>	<u><u>\$ 45,684</u></u>

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Income	\$ -	\$ 4,386	\$ 4,386	\$ -
Total Revenues	-	4,386	4,386	-
<b>EXPENDITURES</b>				
Accounting	-	8,601	8,601	-
Legal	-	38,058	38,058	-
Banking Fees	-	5,000	5,000	-
Bond Issuance Costs	-	952,440	952,440	-
Engineering	-	12,684	12,684	-
Capital Outlay	7,900,000	54,865,167	5,053,451	49,811,716
Total Expenditures	7,900,000	55,881,950	6,070,234	49,811,716
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(7,900,000)	(55,877,564)	(6,065,848)	49,811,716
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advances	-	28,545,019	3,026,241	(25,518,778)
Repayment of Developer Advances	-	(3,026,241)	(3,026,241)	-
Bond Proceeds	-	30,147,000	30,147,000	-
Transfers to Other Funds	-	(96,809)	(82,874)	13,935
Total Other Financing Sources (Uses)	-	55,568,969	30,064,126	(25,504,843)
<b>NET CHANGE IN FUND BALANCES</b>				
	(7,900,000)	(308,595)	23,998,278	24,306,873
Fund Balances - Beginning of Year	7,922,959	308,595	308,595	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 22,959</u>	<u>\$ -</u>	<u>\$ 24,306,873</u>	<u>\$ 24,306,873</u>

## OTHER INFORMATION

**COTTONWOOD HOLLOW RESIDENTIAL METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Total Property Taxes		Percentage Collected to Levied
		General	General Obligation Bonds and Interest	Refunds/ Abatements	Levied	Collected	
2017	\$ 15,514,140	50.000	0.000	0.000	\$ 775,707	\$ 775,707	100.00%
2018	9,191,430	61.911	0.000	0.000	569,051	569,236	100.03
2019	11,680,873	61.911	0.000	0.000	723,175	500,318	69.18
2020	5,286,288	65.277	0.000	71.638	723,771	722,949	99.89
2021	4,288,310	10.070	55.664	0.000	188,787	188,574	99.89
Estimated for the Year Ending December 31, 2022	\$ 1,369,487	10.070	55.664	0.000	\$ 90,028		

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.