

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

**FINANCIAL STATEMENTS**  
**December 31, 2019**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>I</b>
 <b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	1
Statement of Activities.....	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	5
Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund .....	6
Notes to Financial Statements.....	7-16
 <b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Capital Projects Fund.....	17
 <b>OTHER INFORMATION</b>	
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected.....	18

To the Board of Directors of  
Cottonwood Hollow Commercial Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund, of Cottonwood Hollow Commercial Metropolitan District, as of and for the year ended December 31, 2019, 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 Commercial Metropolitan District, as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

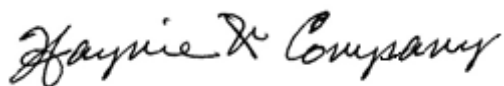
### *Required Supplementary Information*

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

### *Other Information*

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

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



Littleton, CO  
September 29, 2020

## **BASIC FINANCIAL STATEMENTS**

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 122,182
Receivable from county treasurer	5,355
Property taxes receivable	819,049
Prepaid expenditures	2,510
Due from other governments	124,384
Capital assets, not being depreciated	1,688,052
Total assets	2,761,532
 <b>TOTAL LIABILITIES</b>	
Accounts payable	6,826
Developer advances payable - due in more than one year	1,361,480
Total liabilities	1,368,306
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	819,049
Total deferred inflows of resources	819,049
 <b>NET POSITION</b>	
Net investment in capital assets	326,572
Restricted for:	
Emergency reserves	20,900
Unrestricted	226,705
Total net position	\$ 574,177

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

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Change in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 301,650	\$ -	\$ -	\$ -	\$ (301,650)
Interest on long-term debt	81,141	-	-	-	(81,141)
Dedication of capital assets to other government	1,100,324	-	-	-	(1,100,324)
	<u>\$ 1,483,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,483,115)</u>
General revenues:					
Property taxes					545,605
Specific ownership taxes					62,734
NFURA TIF revenue					85,839
Total general revenues					<u>694,178</u>
Change in net position					(788,937)
Net position - beginning					<u>1,363,114</u>
Net position - ending					<u>\$ 574,177</u>

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

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2019**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Government Funds</b>
<b>ASSETS</b>			
Cash and investments - unrestricted	\$ 122,182	\$ -	\$ 122,182
Receivable from county treasurer	5,355	-	5,355
Property taxes receivable	819,049	-	819,049
Prepaid expenditures	2,510	-	2,510
Due from other governments	124,384	-	124,384
Total assets	\$ 1,073,480	\$ -	\$ 1,073,480
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>TOTAL LIABILITIES</b>			
Accounts payable	\$ 6,826	\$ -	\$ 6,826
Total liabilities	6,826	-	6,826
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	819,049	-	819,049
Total deferred inflows of resources	819,049	-	819,049
<b>FUND BALANCE</b>			
Nonspendable:			
Prepaid expenditures	2,510	-	2,510
Restricted for:			
Emergency reserves	20,900	-	20,900
Unrestricted			
Unassigned	224,195	-	224,195
Total fund balance	247,605	-	247,605
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	\$ 1,073,480	\$ -	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,688,052
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Developer advances payable			(1,314,344)
Interest on developer advances			(47,136)
Net position of governmental activities			\$ 574,177

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



**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 545,605	\$ -	\$ 545,605
Specific ownership taxes	62,734	-	62,734
NFURA TIF revenue	85,839	-	85,839
Total revenues	<u>694,178</u>	<u>-</u>	<u>694,178</u>
<b>EXPENDITURES</b>			
<u>General</u>			
Audit	5,500	-	5,500
County treasurer fees	6,705	-	6,705
Accounting and legal	40,382	-	40,382
Dues and memberships	773	-	773
Insurance and bonds	2,763	-	2,763
NFURA TIF expense	97,946	-	97,946
Outside contract services	147,403	-	147,403
Miscellaneous	178	-	178
<u>Debt service</u>			
Repayment of developer advances	-	388,995	388,995
Interest on developer advances	-	34,005	34,005
<u>Capital outlay</u>			
Water rights	-	1,100,324	1,100,324
Public improvements	-	473,141	473,141
Total expenditures	<u>301,650</u>	<u>1,996,465</u>	<u>2,298,115</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>392,528</u>	<u>(1,996,465)</u>	<u>(1,603,937)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out) in	(423,000)	423,000	-
Developer advances	-	1,573,465	1,573,465
Total financing sources (uses)	<u>(423,000)</u>	<u>1,996,465</u>	<u>1,573,465</u>
<b>NET CHANGE IN FUND BALANCE</b>			
	(30,472)	-	(30,472)
<b>FUND BALANCE - BEGINNING OF YEAR</b>			
	<u>278,077</u>	<u>-</u>	<u>278,077</u>
<b>FUND BALANCE - END OF YEAR</b>			
	<u>\$ 247,605</u>	<u>\$ -</u>	<u>\$ 247,605</u>

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

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019**

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

Net change in fund balance - total governmental funds	\$ (30,472)
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Governmental funds report capital outlays as expenditures.

In the statement of activities, capital outlay is not reported as an expenditure. In addition, some expenses in the statement of activities do require the use of financial resources and, therefore, are not reported as expenditures in governmental funds.

Public Improvements	473,141
Water rights	1,100,324

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Developer advances	(1,573,465)
Repayment of developer advances	388,995

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

Dedication of capital assets to other government	(1,100,324)
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Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on developer advances	(47,136)
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Change in net position of governmental activities	\$ (788,937)
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2019**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 938,427	\$ 545,605	\$ (392,822)
Specific ownership taxes	50,000	62,734	12,734
NFURA TIF revenue	83,000	85,839	2,839
Total revenues	<u>1,071,427</u>	<u>694,178</u>	<u>(377,249)</u>
<b>EXPENDITURES</b>			
<u>General</u>			
Audit	6,000	5,500	500
Cost agreement (Town of Firestone)	10,000	-	10,000
County treasurer fees	14,076	6,705	7,371
Accounting and legal	40,000	40,382	(382)
Dues and memberships	300	773	(473)
Engineering	250,000	-	250,000
Fees	580	-	580
Insurance and bonds	3,000	2,763	237
Management	150,000	-	150,000
NFURA TIF expense	167,486	97,946	69,540
Planning and design	50,000	-	50,000
Outside contract services	-	147,403	(147,403)
Capital projects	100,000	-	100,000
Miscellaneous	500	178	322
Emergency reserve	33,000	-	33,000
Total expenditures	<u>824,942</u>	<u>301,650</u>	<u>523,292</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>246,485</u>	<u>392,528</u>	<u>146,043</u>
<b>OTHER FINANCING USES</b>			
Transfers out	-	(423,000)	(423,000)
Total other financing uses	<u>-</u>	<u>(423,000)</u>	<u>(423,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	246,485	(30,472)	(276,957)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>87,738</u>	<u>278,077</u>	<u>190,339</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 334,223</u>	<u>\$ 247,605</u>	<u>\$ (86,618)</u>

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

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

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

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

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

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition and construction of public infrastructure.

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

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

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

**Budgets**

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

For the year ended December 31, 2019, supplementary appropriations approved by the District's board of directors modified the appropriation in the Capital Projects Fund from \$0 to \$1,997,000.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**Property Taxes**

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the county commissioners to put the tax lien on the individual properties as of January 1 of the following year. The county treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District.

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

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

**Capital Assets**

Capital assets are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**Deferred Inflows of Resources**

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

**Fund Balances – Governmental Funds**

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

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

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

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

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District board of directors or by an official or body to which the District board of directors delegates the authority.

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

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

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

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – restricted	<u>\$ 122,182</u>
Total cash and investments	<u>\$ 122,182</u>

Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	<u>\$ 122,182</u>
Total cash and investments	<u>\$ 122,182</u>

**Cash Deposits**

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

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

At December 31, 2019, the District’s cash deposits had a bank balance of \$122,677 and a carrying balance of \$122,182.



**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

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

**Investments**

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

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

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

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

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

As of December 31, 2019, the District had no investments.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

<u>Governmental Activities</u>	<u>Balance at December 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2019</u>
Capital assets, not being depreciated:				
Public improvements	\$ 1,214,911	\$ 473,141	\$ -	\$ 1,688,052
Water rights	-	1,100,324	1,100,324	-
Total capital assets, not being depreciated	<u>\$ 1,214,911</u>	<u>\$ 1,573,465</u>	<u>\$ 1,100,324</u>	<u>\$ 1,688,052</u>

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2019:

	<b>Balance at December 31, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2019</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Developer advances	\$ 129,874	\$ 1,573,465	\$ 388,995	\$ 1,314,344	\$ -
Accrued interest on developer advances	-	81,141	34,005	47,136	-
	<u>\$ 129,874</u>	<u>\$ 1,654,606</u>	<u>\$ 423,000</u>	<u>\$ 1,361,480</u>	<u>\$ -</u>

**Infrastructure Acquisition Agreement – Mortgage Consultants, LLC**

The District entered into an infrastructure acquisition agreement with Mortgage Consultants, LLC (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. As of December 31, 2019, the District owed the Developer \$1,314,344 in principal and \$47,136 in accrued interest.

**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 \$126,000,000, at an interest rate not to exceed 18% per annum. At December 31, 2019, the District had authorized and unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Total Authorized</b>	<b>Remaining at December 31, 2019</b>
Streets	\$ 11,400,000	\$ 11,400,000
Water	23,900,000	23,900,000
Parks and recreation	16,700,000	16,700,000
Debt for operations	11,000,000	11,000,000
Refunding	63,000,000	63,000,000
	<u>\$ 126,000,000</u>	<u>\$ 126,000,000</u>

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 6 – FUND EQUITY**

At December 31, 2019, the District reported the following classifications of fund equity.

Non-spendable - The non-spendable fund balance in the General Fund in the amount of \$2,510 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 \$20,900 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11).

Unrestricted - amounts that are available for any purpose.

**NOTE 7 - NET POSITION**

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

The net investment in capital assets consists of capital assets owned by the District, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. As of December 31, 2019, the District had a net investment in capital assets in the amount of \$326,572.

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, 2019 consists of \$20,900 for emergency reserves.

As of December 31, 2019, the District had an unrestricted net position of \$226,705. This unrestricted net position is the amount of net position not invested in capital assets or restricted for emergencies.

**NOTE 8 - RELATED PARTIES**

Certain members of the board of directors of the District are employees, owners or associated with Mortgage Consultants, LLC and Del Camino East Properties, LLC. In addition, Mortgage Consultants, LLC and Del Camino East Properties, LLC may do business with various construction, engineering and financing companies of which members of the board of directors are associated. During the year ended December 31, 2019, the District paid \$423,000 to Mortgage Consultants, LLC, \$388,995 as reimbursement for District water rights and \$34,005 interest.

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 9 - AGREEMENTS**

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 Residential 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 \$1,100,324 for the District's share of the 56.18 water credits that were dedicated to the Town, with \$388,995 approved for immediate payment and the balance of \$711,329 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 Residential Metropolitan District, for the exclusive use within those Districts.

**NOTE 10 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God.

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

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

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

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

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

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

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

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

## **OTHER INFORMATION**

**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
Year Ended December 31, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
<u>Debt service</u>				
Repayment of developer advances	-	388,995	388,995	-
Interest on developer advances	-	34,005	34,005	-
<u>Capital outlay</u>				
Water rights	-	1,101,000	1,100,324	676
Public improvements	-	473,000	473,141	(141)
Total expenditures	-	1,997,000	1,996,465	535
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	-	(1,997,000)	(1,996,465)	535
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	423,000	423,000	-
Developer advances	-	1,574,000	1,573,465	(535)
Total other financing sources	-	1,997,000	1,996,465	(535)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -

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

## **SUPPLEMENTAL INFORMATION**



**COTTONWOOD HOLLOW COMMERCIAL METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2019**

<u>Year Ended December 31,</u>	<u>Prior Year Net Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2012	\$ 35,270	50.000	\$ 1,764	\$ 1,764	100.03%
2013	\$ 28,070	50.000	\$ 1,404	\$ 1,404	100.04%
2014	\$ 23,443	50.000	\$ 1,172	\$ 1,172	99.99%
2015	\$ 23,510	46.000	\$ 1,081	\$ 964	89.14%
2016	\$ 51,790	46.000	\$ 2,382	\$ 2,382	99.99%
2017	\$ 12,316,210	46.000	\$ 566,546	\$ 566,555	100.00%
2018	\$ 13,035,139	46.000	\$ 599,616	\$ 600,858	100.21%
2019	\$ 16,759,606	46.000	\$ 770,942	\$ 545,605	70.77%
Estimated for the year ending December 31, 2020	\$ 7,103,778	115.298	\$ 819,049		

**NOTE:**

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