

**COTTONWOOD HIGHLANDS
METROPOLITAN DISTRICT NO. 1
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023**

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2023**

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Board of Directors
Cottonwood Highlands Metropolitan District No. 1
Douglas County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Cottonwood Highlands Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cottonwood Highlands Metropolitan District No. 1 as of December 31, 2023, 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.

Basis for Opinions

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

Correction of Error

As described in Note 10 to the financial statements, the beginning net position was restated to reflect a correction for advances and related interest. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

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

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



Wipfli LLP
Denver, Colorado

September 27, 2024

BASIC FINANCIAL STATEMENTS

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 505,715
Cash and Investments - Restricted	2,306,477
Accounts Receivable	6,638
Accounts Receivable - Due from MSI	56,717
Prepaid Insurance	9,099
Receivable from County Treasurer	6,146
Property Tax Receivable	1,519,052
Capital Assets:	
Capital Assets Net of Depreciation	2,294,118
Total Assets	<u>6,703,962</u>
LIABILITIES	
Accounts Payable	12,705
Unearned operations and maintenance fees	11,793
Accrued Bond Interest	62,292
Noncurrent Liabilities:	
Due Within One Year	120,971
Due in More Than One Year	21,437,854
Total Liabilities	<u>21,645,615</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	1,519,052
Total Deferred Inflows of Resources	<u>1,519,052</u>
NET POSITION	
Net Investment in Capital Assets	(15,879,044)
Restricted for:	
Emergency Reserve	16,900
Debt Service	2,239,188
Unrestricted	<u>(2,837,749)</u>
Total Net Position	<u>\$ (16,460,705)</u>

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 621,041	\$ 340,931	\$ 182,228	\$ -	\$ (97,882)
Interest on Long-Term Debt and Related Costs	1,255,150	-	-	-	(1,255,150)
Total Governmental Activities	<u>\$ 1,876,191</u>	<u>\$ 340,931</u>	<u>\$ 182,228</u>	<u>\$ -</u>	<u>(1,353,032)</u>
GENERAL REVENUES					
Property Taxes					1,024,749
Specific Ownership Taxes					95,029
Interest Income					125,609
Other Revenue					11,882
Total General Revenues and Transfers					<u>1,257,269</u>
CHANGES IN NET POSITION					(95,763)
Net Position - Beginning of Year (As Restated)					<u>(16,364,942)</u>
NET POSITION - END OF YEAR					<u><u>\$ (16,460,705)</u></u>

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 498,784	\$ 6,931	\$ 505,715
Cash and Investments - Restricted	16,900	2,289,577	2,306,477
Receivable from County Treasurer	1,091	5,055	6,146
Accounts Receivable	6,638	-	6,638
Accounts Receivable - Due from MSI	56,717	-	56,717
Prepaid Insurance	9,099	-	9,099
Property Tax Receivable	244,697	1,274,355	1,519,052
Total Assets	<u>\$ 833,926</u>	<u>\$ 3,575,918</u>	<u>\$ 4,409,844</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 12,705	\$ -	\$ 12,705
Unearned operations and maintenance fees	11,793	-	11,793
Total Liabilities	<u>24,498</u>	<u>-</u>	<u>24,498</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	<u>244,697</u>	<u>1,274,355</u>	<u>1,519,052</u>
Total Deferred Inflows of Resources	<u>244,697</u>	<u>1,274,355</u>	<u>1,519,052</u>
FUND BALANCES			
Nonspendable:			
Prepaid Expense	9,099	-	9,099
Restricted for:			
Emergency Reserves	16,900	-	16,900
Debt Service	-	2,301,563	2,301,563
Assigned to:			
Subsequent Year's Expenditures	83,280	-	83,280
Unassigned	<u>455,452</u>	<u>-</u>	<u>455,452</u>
Total Fund Balances	<u>564,731</u>	<u>2,301,563</u>	<u>2,866,294</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 833,926</u>	<u>\$ 3,575,918</u>	

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. 2,294,118

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

Accrued Interest	(2,052,018)
Bonds Payable	(19,135,000)
Developer Advance Payable	(236,685)
Unamortized Bond Premium	<u>(197,414)</u>

Net Position of Governmental Activities \$ (16,460,705)

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 181,854	\$ 842,895	\$ 1,024,749
Specific Ownership Taxes	16,864	78,165	95,029
Operations And Maintenance Fee	265,931	-	265,931
Interest Income	9,225	116,384	125,609
Reimbursed Expenditures	182,228	-	182,228
Other Revenue	11,882	-	11,882
Working Capital Fee	75,000	-	75,000
Total Revenues	742,984	1,037,444	1,780,428
EXPENDITURES			
Current:			
Accounting	27,684	-	27,684
Auditing	5,500	-	5,500
Billing	4,819	-	4,819
County Treasurer's Fee	2,729	12,646	15,375
District Management	18,016	-	18,016
Dues And Membership	573	-	573
Election	3,092	-	3,092
Electricity	3,235	-	3,235
Fence And Sign Maintenance	44,165	-	44,165
Insurance	9,277	-	9,277
Irrigation Repairs And Maintenance	16,489	-	16,489
Landscaping	153,688	-	153,688
Legal	28,267	-	28,267
Miscellaneous	15	-	15
Playground Maintenance	9,809	-	9,809
Snow Removal	1,231	-	1,231
Tree/Plant Replacements	87,128	-	87,128
Water	46,751	-	46,751
Debt Service:			
Bond Interest	-	748,500	748,500
Bond Principal	-	20,000	20,000
Paying Agent Fees	-	7,000	7,000
Total Expenditures	462,468	788,146	1,250,614
NET CHANGE IN FUND BALANCES	280,516	249,298	529,814
Fund Balances - Beginning of Year	284,215	2,052,265	2,336,480
FUND BALANCES - END OF YEAR	\$ 564,731	\$ 2,301,563	\$ 2,866,294

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
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, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$ 529,814
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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 the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Depreciation Expense	(145,927)
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Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.

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

Bond Principal	20,000
Accrued Interest on Developer Advance	(13,901)

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 Payable - Change in Liability	(496,734)
Amortization of Bond Premium	10,985

Changes in Net Position of Governmental Activities	\$ <u>(95,763)</u>
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COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 181,854	\$ 181,854	\$ 181,854	\$ -
Specific Ownership Taxes	16,367	17,116	16,864	(252)
Operations And Maintenance Fee	-	246,000	265,931	19,931
Interest Income	-	6,045	9,225	3,180
Reimbursed Expenditures	-	182,228	182,228	-
Other Revenue	-	-	11,882	11,882
Working Capital Fee	-	51,750	75,000	23,250
Total Revenues	198,221	684,993	742,984	57,991
EXPENDITURES				
Accounting	40,000	30,000	27,684	2,316
Alder Village - Landscape Maintenance	60,000	-	-	-
Auditing	5,500	5,500	5,500	-
Billing	-	6,000	4,819	1,181
Contingency	2,522	8,213	-	8,213
County Treasurer's Fee	2,728	2,728	2,729	(1)
District Management	24,000	20,000	18,016	1,984
Dues And Membership	750	573	573	-
Election	16,000	3,092	3,092	-
Electricity	4,000	4,000	3,235	765
Fence And Sign Maintenance	20,000	44,165	44,165	-
Insurance	10,500	8,777	9,277	(500)
Irrigation Repairs And Maintenance	-	20,000	16,489	3,511
Landscaping	-	160,000	153,688	6,312
Legal	30,000	30,000	28,267	1,733
Miscellaneous	1,400	15	15	-
Playground Maintenance	6,000	9,809	9,809	-
Snow Removal	12,000	10,000	1,231	8,769
Tree/Plant Replacements	20,000	87,128	87,128	-
Transfer to Dove Village HOA	49,600	-	-	-
Water	65,000	60,000	46,751	13,249
Total Expenditures	370,000	510,000	462,468	47,532
NET CHANGE IN FUND BALANCE	(171,779)	174,993	280,516	105,523
Fund Balance - Beginning of Year	232,741	284,215	284,215	-
FUND BALANCE - END OF YEAR	<u>\$ 60,962</u>	<u>\$ 459,208</u>	<u>\$ 564,731</u>	<u>\$ 105,523</u>

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Cottonwood Highlands Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for Douglas County, Colorado, on October 6, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the Town of Parker. The District was established to provide financing for the design, acquisition, installation, construction, and completion of public improvements and services, including water, sanitation, street, safety and fire protection, security, park and recreation, transportation, television relay and translation, and mosquito control improvements and services.

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 assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead 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.

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. All other revenue items are considered to be measurable and available only when cash is received by the District. 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 general obligation debt of the governmental funds.

The effect of interfund activity has been eliminated from the government-wide financial statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 has amended its annual budget for the year ended December 31, 2023.

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 and investments.

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 assess the property tax obligation of 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.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned 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.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful life:

Parks and Recreation

20 Years

Amortization – Original Issue Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt issued, and premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Operations and Maintenance Fee

The District provides operations and maintenance services for park and recreation type amenities and facilities benefiting property and inhabitants within the District. A recurring monthly Operations Fee is imposed upon each Residential Unit within the District Boundaries to the fund the costs. In 2023, the Operations Fee was \$52 per Residential Unit.

Working Capital Fee

The District established a Working Capital Fee in order to pay for costs associated with account administration. The Working Capital Fee is imposed on all Transfer of a Residential Unit by an End User. In 2023, the Working Capital Fee was \$750.

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.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance

Fund balances 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 HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 505,715
Cash and Investments - Restricted	<u>2,306,477</u>
Total Cash and Investments	<u>\$ 2,812,192</u>

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 101,679
Investments	<u>2,710,513</u>
Total Cash and Investments	<u>\$ 2,812,192</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, 2023, the District's cash deposits had a bank and carrying balance of \$101,679.

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 HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 2,710,513
		<u>\$ 2,710,513</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. 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 changes in capital assets for the year ended December 31, 2023, follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Governmental Activities:				
Capital Assets, Being Depreciated:				
Parks and Recreation	\$ 2,918,539	\$ -	\$ -	\$ 2,918,539
Total Capital Assets, Being Depreciated	2,918,539	-	-	2,918,539
Less Accumulated Depreciation for:				
Accumulated Depreciation - Parks and Rec	478,494	(145,927)	-	624,421
Total Accumulated Depreciation	478,494	(145,927)	-	624,421
Total Capital Assets, Being Depreciated, Net	2,440,045	(145,927)	-	2,294,118
Governmental Activities Capital Assets, Net	<u>\$ 2,440,045</u>	<u>\$ (145,927)</u>	<u>\$ -</u>	<u>\$ 2,294,118</u>

Depreciation expense for the year ended December 31, 2023, of \$145,927 was charged to general government function/program.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022, as Restated	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Bonds Payable:					
General Obligation Bonds					
Series 2019A	\$ 14,970,000	\$ -	\$ 20,000	\$ 14,950,000	\$ 110,000
Series 2019B	4,185,000	-	-	4,185,000	-
Accrued Interest					
Series 2019B	1,492,909	496,817	-	1,989,726	-
Subtotal Bonds Payable	20,647,909	496,817	20,000	21,124,726	110,000
Other Debts:					
Developer Advance - Operating	173,763	-	-	173,763	-
Developer Advance - Operating Interest	49,021	13,901	-	62,922	-
Subtotal Other Debts	222,784	13,901	-	236,685	-
Bond Premium/Discount:					
Bond Premium - Series 2019A	208,399	-	10,985	197,414	10,971
Subtotal Bond Premium / Discount	208,399	-	10,985	197,414	10,971
Total Long-Term Obligations	\$ 21,079,092	\$ 510,718	\$ 30,985	\$ 21,558,825	\$ 120,971

The details of the District's general obligation bonds outstanding are as follows:

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B

Bond Details

The District issued the 2019 Bonds on May 16, 2019, in the par amounts of \$14,970,000 for the 2019A Senior Bonds and \$4,185,000 for the 2019B Subordinate Bonds. Proceeds from the sale of the 2019A Senior Bonds were used to: (i) finance public improvements; (ii) pay capitalized interest on the 2019A Senior Bonds; (iii) fund the Senior Reserve Fund; and (iv) pay the costs of issuing the 2019 Bonds. Proceeds from the sale of the 2019B Subordinate Bonds were used to finance and refinance public improvements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)

Bond Details (Continued)

The 2019A Senior Bonds bear interest at the rate of 5.00% per annum and are payable semiannually on June 1 and December 1, beginning on December 1, 2019. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2024. The 2019A Senior Bonds mature on December 1, 2049. To the extent principal of any bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 1, 2056. To the extent interest on any 2019A Senior Bond is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the 2019A Senior Bond. If any amounts due on the 2019A Senior Bonds remain outstanding on December 1, 2056, such amounts shall be deemed discharged and will no longer be due and outstanding.

The 2019B Subordinate Bonds bear interest at the rate of 8.75% per annum and are payable annually on December 15, beginning December 15, 2019, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2049. The 2019B Subordinate 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 2019B Subordinate Bonds compounds annually on each December 15. If any principal or interest on the 2019B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available on December 15, 2056, the 2019B Subordinate Bonds shall be deemed discharged and will no longer be due and outstanding.

Optional Redemption

The 2019A Senior Bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2024, 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:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2024 to May 31, 2025	3.00%
June 1, 2025 to May 31, 2026	2.00
June 1, 2026 to May 31, 2027	1.00
June 1, 2027, and Thereafter	-

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)

Optional Redemption (Continued)

The 2019B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2024, 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:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2024 to May 31, 2025	3.00%
June 1, 2025 to May 31, 2026	2.00
June 1, 2026 to May 31, 2027	1.00
June 1, 2027, and Thereafter	-

Pledged Revenue

The 2019A Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue, net of any costs of collection, which includes: (a) all Senior Property Tax Revenues; (b) all Senior Specific Ownership Tax Revenues; (c) all Capital Fees; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

The 2019B Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, net of any costs of collection, which includes; (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fees; (d) any amounts in the Senior Surplus Fund upon the termination of such fund pursuant to the Senior Indenture; and (e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Property Tax Revenues

“Senior Property Tax Revenues” mean all moneys derived from imposition by the District of the Senior Required Mill Levy and are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. Senior Property Tax Revenues do not include specific ownership tax revenues.

“Subordinate Property Tax Revenues” mean all moneys derived from imposition by the District of the Subordinate Required Mill Levy and are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. Subordinate Property Tax Revenues do not include specific ownership tax revenues.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)

Required Mill Levies

Pursuant to the Senior Indenture, prior to the Conversion Date, the District is to impose a Senior Required Mill Levy in an amount necessary to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due (less any amounts on deposit in the Senior Bond Fund and, as provided in the Senior Indenture, the Senior Surplus Fund, and the Senior Reserve Fund, respectively) and to replenish the Senior Reserve Fund to the Senior Reserve Requirement, but not in excess of 35 mills. As long as the Senior Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 35 mills (subject to adjustment), or such lesser amount that will generate Senior Property Tax Revenues: (a) sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due, to replenish the Senior Reserve Fund to the Senior Reserve Requirement, and to fully fund the Senior Surplus Fund to the Maximum Surplus Amount, or (b) which, when combined with moneys then on deposit in the Senior Bond Fund, the Senior Surplus Fund, and the Senior Reserve Fund will pay the 2019A Senior Bonds in full in the year such levy is collected.

In the event that the method of calculating assessed valuation is changed after January 1, 2000, the minimum levy of 35 mills and maximum levy of 35 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes (for purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation).

On and after the Conversion Date, the District is to impose a Senior Required Mill Levy in an amount (without limitation as to rate) sufficient to pay the principal of, premium if any, and interest on the 2019A Senior Bonds when due (less any amounts on deposit in the Senior Bond Fund and, solely as provided in the Senior Indenture, the Senior Reserve Fund) and to replenish the Senior Reserve Fund to the Senior Reserve Requirement. On and after the Conversion Date, the definition of Senior Required Mill Levy is to be determined exclusively by this paragraph regardless of any subsequent increase in the Debt to Assessed Ratio.

The Conversion Date is the first date on which all of the following conditions are met: (a) the Debt to Assessed Ratio is 50% or less; (b) no amounts of principal or interest on the 2019A Senior Bonds are due but unpaid; and (c) the amount on deposit in the Senior Reserve Fund is not less than the Senior Reserve Requirement.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)

Required Mill Levies (Continued)

Pursuant to the Subordinate Indenture, the District is to impose a Subordinate Required Mill Levy in an amount equal to (i) 35 mills (as adjusted) less the Senior Obligation Mill Levy (which means the sum of the Senior Required Mill Levy and any other mill levy required to be imposed for the payment of Senior Obligations), or (ii) such lesser amount that will generate Subordinate Property Tax Revenues which, when combined with moneys on deposit in the Subordinate Bond Fund, will pay the 2019B Subordinate Bonds in full in the year such levy is collected.

Senior Reserve Fund

The 2019A Senior Bonds are also secured by the Senior Reserve Fund which was funded from the proceeds of the 2019A Senior Bonds in the amount of the Senior Reserve Requirement of \$1,178,000. If a withdrawal from the Senior Reserve Fund is made that reduces the balance in such fund below the Senior Reserve Requirement, the District is to include in the computation of its next mill levy certification the amount necessary to replenish the Senior Reserve Fund to the amount of the Senior Reserve Requirement, subject to the limitations of the Senior Required Mill Levy. The balance in the Senior Reserve Fund at December 31, 2023, is \$1,179,252.

Senior Surplus Fund

The 2019A Senior Bonds are further secured by funds in the Senior Surplus Fund, if any. Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the 2019A Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount of \$1,497,000. The Senior Surplus Fund will be terminated upon the Conversion Date and any moneys therein applied to any legal purpose of the District. Pursuant to the Subordinate Indenture, amounts released from the Senior Surplus Fund are to be applied to the payment of the 2019B Subordinate Bonds. The balance in the Senior Surplus Fund at December 31, 2023, is \$1,057,314.

Unused Lines of Credit

The 2019A Senior Bonds do not have any unused lines of credit.

Collateral

No assets have been pledged as collateral on the 2019A Senior Bonds.

Acceleration

The 2019A Senior Bonds are not subject to acceleration.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (the 2019A Senior Bonds), and Subordinate Limited Tax General Obligation Bonds, Series 2019B (Continued)

Termination Events

The 2019A Senior Bonds do not have a termination provision.

Events of Default

Events of default occur if the Districts fail to impose the Required Mill Levy, or to apply the Pledged Revenues as required by the Indenture, and do not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indentures.

2019A Senior Bonds Debt Service

The outstanding principal and interest of the 2019A Senior Bonds are due as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 110,000	\$ 747,500	\$ 857,500
2025	170,000	742,000	912,000
2026	215,000	733,500	948,500
2027	225,000	722,750	947,750
2028	255,000	711,500	966,500
2029-2033	1,605,000	3,345,750	4,950,750
2034-2038	2,345,000	2,874,250	5,219,250
2039-2043	3,285,000	2,199,000	5,484,000
2044-2048	4,495,000	1,262,500	5,757,500
2029	2,245,000	112,250	2,357,250
Total	<u>\$ 14,950,000</u>	<u>\$ 13,451,000</u>	<u>\$ 28,401,000</u>

The annual debt service requirements on the 2019B Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

On November 4, 2014, the District's voters authorized total indebtedness of \$200,000,000 for the above listed facilities. The District's voters also authorized total indebtedness of \$30,000,000 each for debt refunding and debt related to intergovernmental agreements or other contracts with other public entities. The election also approved an annual increase in property taxes of \$5,000,000 without limitation of rate, to pay the District's operations and maintenance costs.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2019A Senior Bonds Debt Service (Continued)

Pursuant to the Consolidated Service Plan for Cottonwood Highlands Metropolitan District Nos. 1 and 2, the District is permitted to issue bond indebtedness not to exceed \$30,000,000 for both Districts combined. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. As of December 31, 2023, the District had authorized but unissued indebtedness in the following allocation for the following purposes:

	Amount Authorized on November 4, 2014	Amount Used Series 2019A and 2019B Bonds	Authorized Amount Remaining Unused
Streets	\$ 30,000,000	\$ 6,174,543	\$ 23,825,457
Sewer	30,000,000	5,503,662	24,496,338
Water Supply	30,000,000	2,213,951	27,786,049
Parks and Recreation	30,000,000	4,868,499	25,131,501
Traffic and Safety	30,000,000	394,345	29,605,655
Mosquito Control	5,000,000	-	5,000,000
Transportation	30,000,000	-	30,000,000
Fire Protection	5,000,000	-	5,000,000
TV Relay	5,000,000	-	5,000,000
Security	5,000,000	-	5,000,000
Total	<u>\$ 200,000,000</u>	<u>\$ 19,155,000</u>	<u>\$ 180,845,000</u>

NOTE 6 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 2,294,118
Unspent Bond Proceeds	1,179,252
Bond Premium, Net	(197,414)
Bonds and Loans Outstanding	(19,155,000)
Net Investment in Capital Assets	<u>\$ (15,879,044)</u>

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 NET POSITION (CONTINUED)

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 16,900
Debt Service Reserve	2,239,188
Total Restricted Net Position	<u>\$ 2,256,088</u>

The District's unrestricted net position as of December 31, 2023, totaled (\$2,837,749).

NOTE 7 RELATED PARTIES

Reimbursement Allocation Agreement

On May 29, 2015, the District entered into the Reimbursement Allocation Agreement with C&J Land Investments, LLC, S&L Land Investments, LLC, K&H Land Investments, LLC, Colorado Venture III, LLC, Colorado Venture I, LLC, Parkwood East, LLC, Clay Carlson, Kent Carlson and Scott Carlson (collectively and jointly and severally, Carlson), and Lennar Colorado, LLC, (Lennar). Carlson and Lennar can be referred to collectively as "Parties" or individually as a "Party". When the District incurs Debt to pay for the acquisition of Public Infrastructure that has been or will be constructed pursuant to the terms of a Facilities Acquisition Agreement, the Parties (or any of them) shall obtain from the debt advisor that the District has engaged in connection with its bond underwriting process (Debt Advisor) the projected assessed ad valorem valuation of Property within the District that was used to calculate and determine the amount of the Debt incurred by the District (Utilized AV). The Parties will engage the Debt Advisor to apportion the Utilized AV between and among the development phases of the Property as identified by the Parties. Each Phase's share (Share) of the amount of the Debt that is incurred by the District will be a percentage that is determined by dividing the Utilized AV that has been apportioned to that Phase of the Property by the total Utilized AV. The total amount of payments received by any owner with respect to a Phase under a Facility Acquisition Agreement may not exceed the applicable Share of the Debt apportioned to that Phase. As the construction of Public Infrastructure for a Phase is completed by a Party, such Party may submit the cost of the Public Infrastructure to the District pursuant to a Facilities Acquisition Agreement and receive payment.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 RELATED PARTIES (CONTINUED)

Amended and Restated Reimbursement Allocation Agreement

On September 26, 2017, the District entered into the Amended and Restated Allocation CHMD1 be referred to as "Parties" or individually as a "Party". The Parties agree that with respect to the net proceeds of any Debt incurred by the District, each Party shall be entitled to receive from the District pursuant to the Facilities Acquisition Agreement executed by each Party and any other agreement entered between the Party and the District, its "Share" of the District Debt Proceeds as defined in the agreement.

Funding and Reimbursement Agreement

On September 26, 2017, the District entered into the Funding and Reimbursement Agreement with Lennar (the Developer). The Developer agrees to loan the District not to exceed the aggregate of \$60,000 per annum for five years, up to \$300,000. These funds shall be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2023. The loan bears simple interest rate of 8% per annum, from the date any such advance is made. As of December 31, 2023, the District has operating advance payable of \$236,685 of which \$173,763 is principal and \$62,922 is accrued interest.

Facilities Acquisition Agreements

On September 26, 2017, the District entered into the Facilities Acquisition Agreement with Lennar. Lennar has incurred certain costs related to public infrastructure for the benefit of the District. The District has agreed to: (i) reimburse Lennar the Construction Costs for all completed public infrastructure authorized by the District's Service Plan; and (ii) acquire any such completed Public Infrastructure constructed for the benefit of the District from Lennar that is not being dedicated to other governmental entities. No additional reimbursement is expected of the District.

On September 26, 2017, the District entered into the Facilities Acquisition Agreement with Century (the Developer). Century has incurred certain costs related to public infrastructure for the benefit of the District. The District has agreed to: (i) reimburse Century the Construction Costs for all completed public infrastructure authorized by the District's Service Plan; and (ii) acquire any such completed Public Infrastructure constructed for the benefit of the District from Century that is not being dedicated to other governmental entities. The District paid the maximum allowed amount pursuant to the Agreement in January 2020.

Intergovernmental Agreement Regarding BrightView Landscape Services, Inc.

The District entered into the Intergovernmental Agreement Regarding BrightView Landscape Services, Inc. 2023 Landscape Services Agreement with Cottonwood Metropolitan District (CWMD) on February 28, 2023. CWMD contributed \$182,228 to the District to pay for costs associated with BrightView Landscape's services to the District during 2023. The IGA terminated on December 31, 2023.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the 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.

NOTE 9 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.

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.

On November 4, 2014, a majority of the District's electors authorized the District to collect and spend or retain, beginning in 2014 and for each subsequent year, all revenues of the District without regard to any limitations under TABOR.

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.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 PRIOR PERIOD ADJUSTMENT

Prior to January 1, 2023, the District did not state any accrued interest on the 2019B Subordinate Bonds. As of December 31, 2022 there was \$1,492,909 of accrued interest.

Net Position – Beginning of Year as Originally Stated	(\$14,872,033)
Adjustment for 2019 Subordinate Bonds Accrue Interest	<u>(\$1,492,909)</u>
Net Position – Beginning of Year as Restated	<u>(\$16,364,942)</u>

SUPPLEMENTARY INFORMATION

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Budget Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 842,894	\$ 842,895	\$ 1
Specific Ownership Taxes	75,860	78,165	2,305
Interest Income	60,000	116,384	56,384
Total Revenues	978,754	1,037,444	58,690
EXPENDITURES			
County Treasurer's Fee	12,643	12,646	(3)
Paying Agent Fees	7,000	7,000	-
Bond Interest	748,500	748,500	-
Bond Principal	20,000	20,000	-
Contingency	3,857	-	3,857
Total Expenditures	792,000	788,146	3,854
NET CHANGE IN FUND BALANCE	186,754	249,298	62,544
Fund Balance - Beginning of Year	2,042,943	2,052,265	9,322
FUND BALANCE - END OF YEAR	<u>\$ 2,229,697</u>	<u>\$ 2,301,563</u>	<u>\$ 71,866</u>

OTHER INFORMATION

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023

\$14,970,000 Series 2019A Limited
Tax (Convertible to Unlimited Tax)
General Obligation Bonds
Dated May 15, 2019
Principal Due December 1
Interest Rate 5.0% Payable
June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2024	\$ 110,000	\$ 747,500	\$ 857,500
2025	170,000	742,000	912,000
2026	215,000	733,500	948,500
2027	225,000	722,750	947,750
2028	255,000	711,500	966,500
2029	270,000	698,750	968,750
2030	300,000	685,250	985,250
2031	315,000	670,250	985,250
2032	350,000	654,500	1,004,500
2033	370,000	637,000	1,007,000
2034	410,000	618,500	1,028,500
2035	430,000	598,000	1,028,000
2036	470,000	576,500	1,046,500
2037	495,000	553,000	1,048,000
2038	540,000	528,250	1,068,250
2039	570,000	501,250	1,071,250
2040	620,000	472,750	1,092,750
2041	650,000	441,750	1,091,750
2042	705,000	409,250	1,114,250
2043	740,000	374,000	1,114,000
2044	800,000	337,000	1,137,000
2045	835,000	297,000	1,132,000
2046	900,000	255,250	1,155,250
2047	945,000	210,250	1,155,250
2048	1,015,000	163,000	1,178,000
2049	2,245,000	112,250	2,357,250
Total	<u>\$ 14,950,000</u>	<u>\$ 13,451,000</u>	<u>\$ 28,401,000</u>

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

Year Ended December 31,	Assessed Valuation	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Total	Levied	Collected	
2019	\$ 8,428,500	10.000	47.347	57.347	\$ 483,349	\$ 483,350	100.00 %
2020	12,623,250	10.000	47.678	57.678	728,084	728,085	100.00 %
2021	14,465,320	10.000	47.678	57.678	834,331	834,331	100.00 %
2022	17,006,050	10.000	47.678	57.678	980,874	980,876	100.00 %
2023	18,185,410	10.000	46.350	56.350	1,024,748	1,024,749	100.00 %
Estimated for Year Ending December 31, 2024	\$ 24,469,650	10.000	52.079	62.079	1,519,052		

Note:

Property taxes collected in any one year include collection of delinquent