

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2

2021 ANNUAL REPORT TO THE TOWN OF PARKER

Pursuant to its Service Plan (Section VII) and by Section 10.11.040 of the Town Code, the Cottonwood Highlands Metropolitan District No. 2 (the “**District**”), by September 1 of each year, is required to provide an annual report to the Town of Parker with regard to the following matters:

1. A narrative summary of the progress of the District in implementing its Service Plan for the report year.

Public improvement construction for the development within the District has yet to begin. District No. 2 is the commercial district and residential development will drive the demand for commercial development.

2. Except when exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the District for the report year including a statement of financial condition (i.e., balance sheet) as of December 31 of the report year and the statement of operations (i.e., revenues and expenditures) for the report year

The District qualified for an audit exemption for report year 2021.

3. Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by the District in development of Public Improvements in the report year, as well as any Public Improvements proposed to be undertaken in the five (5) years following the report year.

No capital expenditures were incurred by this commercial District in 2021. Public infrastructure construction is expected to begin within the next five (5) years once residential development has progressed to the point that a demand is created for commercial development.

4. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the District at the end of the report year, including the amount of outstanding Debt, the amount and terms of any new Debt issued in the report year, the amount of payment or retirement of existing Debt of the District in the report year, the total assessed valuation of all taxable properties within the District as of January 1 of the report year and the current mill levy of the District pledged to Debt retirement in the report year.

The District has not issued Debt.

The District’s 2021 mill levy pledged to Debt retirement: 20.000 (for anticipated future bonded debt service)

The District's total 2021 assessed valuation: \$1,985,960

5. The District's budget for the calendar year in which the annual report is submitted.

*The District's 2021 Budget is attached as **Exhibit A**.*

6. A summary of the residential and commercial development in the District for the report year.

The District is a commercial only district. No commercial development occurred in 2021.

7. A summary of all fees, charges and assessments imposed by the District as of January 1 of the report year.

None.

8. Certification of the Board that no action, event or condition enumerated in Town Code section 10.11.060 has occurred in the report year, or certification that such event has occurred but that an amendment to the Service Plan that allows such event has been approved by Town Council.

*Attached as **Exhibit B** is the certification given on behalf of Board of Directors that no action, event or condition enumerated in Section 10.11.060 occurred in 2021.*

9. The name, business address and telephone number of each member of the Board and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the Board.

At the time of submission of this annual report:

Kent Carlson (land owner/ developer)

Scott Carlson (land owner/original developer)

Clay Carlson (land owner/original developer)

General Counsel: White Bear Ankele Tanaka & Waldron, 2154 E. Commons Avenue, Suite 2000, Centennial, CO 80122, (303) 858-1800.

Regular meetings are scheduled for the first Tuesday of June and December at 10:00 a.m., 12460 1st Street, Eastlake, Colorado.

10. Certification from the External Financial Advisor that the District is in compliance with all provisions of the Service Plan.

Not Applicable since the District has not engaged an External Financial Advisor because it has not issued any privately placed Debt. .

11. A Summary of any Litigation which involves the District's Public Improvements as of December 31.

To our actual knowledge, based on a review of the court records in Douglas County, Colorado, and the Public Access to Court Electronic Records (PACER), there is no litigation involving the Districts as of December 31, 2021.

EXHIBIT A
2021 BUDGET

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2021

**COTTONWOOD HIGHLANDS METRO DISTRICT NO. 2
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

12/7/20

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ 21,551	\$ 17,560	\$ 15,520
REVENUES			
Property taxes	21,808	23,962	35,804
Specific ownership tax	2,189	2,156	2,864
Total revenues	<u>23,997</u>	<u>26,118</u>	<u>38,668</u>
Total funds available	<u>45,548</u>	<u>43,678</u>	<u>54,188</u>
EXPENDITURES			
General Fund	15,978	15,000	28,000
Debt Service Fund	12,010	13,158	19,334
Total expenditures	<u>27,988</u>	<u>28,158</u>	<u>47,334</u>
Total expenditures and transfers out requiring appropriation	<u>27,988</u>	<u>28,158</u>	<u>47,334</u>
ENDING FUND BALANCES	<u>\$ 17,560</u>	<u>\$ 15,520</u>	<u>\$ 6,854</u>
EMERGENCY RESERVE	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 600</u>
TOTAL RESERVE	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 600</u>

No assurance provided. See summary of significant assumptions.

COTTONWOOD HIGHLANDS METRO DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

12/7/20

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
ASSESSED VALUATION			
Commercial	-	-	713,720
State assessed	-	-	200
Vacant land	1,090,430	1,198,110	1,076,210
Natural resources	-	-	20
Certified Assessed Value	<u>\$ 1,090,430</u>	<u>\$ 1,198,110</u>	<u>\$ 1,790,150</u>
MILL LEVY			
General	10.000	10.000	10.000
Debt Service	10.000	10.000	10.000
Total mill levy	<u>20.000</u>	<u>20.000</u>	<u>20.000</u>
PROPERTY TAXES			
General	\$ 10,904	\$ 11,981	\$ 17,902
Debt Service	10,904	11,981	17,902
Budgeted property taxes	<u>\$ 21,808</u>	<u>\$ 23,962</u>	<u>\$ 35,804</u>
BUDGETED PROPERTY TAXES			
General	\$ 10,904	\$ 11,981	\$ 17,902
Debt Service	10,904	11,981	17,902
	<u>\$ 21,808</u>	<u>\$ 23,962</u>	<u>\$ 35,804</u>

No assurance provided. See summary of significant assumptions.

**GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

12/7/20

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 21,441	\$ 17,461	\$ 15,520
REVENUES			
Property taxes	10,904	11,981	17,902
Specific ownership tax	1,094	1,078	1,432
Total revenues	<u>11,998</u>	<u>13,059</u>	<u>19,334</u>
Total funds available	<u>33,439</u>	<u>30,520</u>	<u>34,854</u>
EXPENDITURES			
General and administrative			
Accounting	6,969	6,500	6,600
County Treasurer's fee	164	180	269
Dues and licenses	251	254	350
Insurance and bonds	2,375	2,375	3,000
Legal services	6,219	5,200	7,500
Election expense	-	491	-
Contingency	-	-	2,281
Detention pond	-	-	8,000
Total expenditures	<u>15,978</u>	<u>15,000</u>	<u>28,000</u>
Total expenditures and transfers out requiring appropriation	<u>15,978</u>	<u>15,000</u>	<u>28,000</u>
ENDING FUND BALANCE	<u>\$ 17,461</u>	<u>\$ 15,520</u>	<u>\$ 6,854</u>
EMERGENCY RESERVE	\$ 400	\$ 400	\$ 600
TOTAL RESERVE	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 600</u>

No assurance provided. See summary of significant assumptions.

COTTONWOOD HIGHLANDS METRO DISTRICT NO. 2
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

12/7/20

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 110	\$ 99	\$ -
REVENUES			
Property taxes	10,904	11,981	17,902
Specific ownership tax	1,095	1,078	1,432
Total revenues	11,999	13,059	19,334
Total funds available	12,109	13,158	19,334
EXPENDITURES			
County Treasurer's fee	164	180	269
Repay developer advance	11,846	12,978	19,065
Total expenditures and transfers out requiring appropriation	12,010	13,158	19,334
ENDING FUND BALANCE	\$ 99	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

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 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 operates under a Service Plan approved by the Town of Parker. 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.

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 operation and maintenance costs.

Pursuant to the Consolidated Service Plan for Cottonwood Highlands Metropolitan District No. 1 and No. 2, the District is permitted to issue bond indebtedness not to exceed \$30,000,000 combined for both Districts. 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, however, as of the date of this budget, the amount and timing of any debt issuances is not determinable.

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

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

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues

Property Taxes

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

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

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District’s share will be equal to approximately 8% of the property taxes collected.

Expenditures

Administrative and Operating Expenditures

Operating and administrative expenditures include the estimated services necessary to maintain the District’s administrative viability such as legal, accounting, insurance and dues.

Capital Outlay

The District does not anticipate infrastructure improvements during 2021.

County Treasurer’s Fees

County Treasurer’s collection fees are computed at 1.5% of the District’s property taxes.

Debt Service

The following is an analysis of the anticipated changes in the District’s long-term obligations for the year ending December 31, 2020:

	Balance at December 31, 2019	Additions	Repayments	Balance at December 31, 2020
Developer Advances	\$ 39,999	\$ -	\$ (10,216)	\$ 29,783
Accrued interest	85	2,588	(2,625)	48
	<u>\$ 40,084</u>	<u>\$ 2,588</u>	<u>\$ (12,841)</u>	<u>\$ 29,831</u>

**COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Operating and Capital Leases

The District has no operating or capital leases.

Reserves

Emergency Reserve

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2021, as defined under TABOR.

This information is an integral part of the accompanying budget.

EXHIBIT B

Certification on behalf of the Board of Directors

STATE OF COLORADO

COUNTY OF DOUGLAS

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICTS NO. 2

White Bear Ankele Tanaka & Waldron P.C., acting general counsel and authorized representative for the Board of Directors of the above District for this annual report, hereby certifies, on the Board's behalf, that during the year 2021, no action, event or condition enumerated in Section 10.11.060 of the Town of Parker Code took place within the District's boundaries or for which the District was made aware, which would have required a service plan amendment as a change of a basic or essential nature.

WHITE BEAR ANKELE TANAKA & WALDRON

Attorneys at Law

White Bear Ankele Tanaka & Waldron