

Cottonwood Creek Metropolitan District No. 1

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Cottonwood Creek Metropolitan District No. 1

Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Cottonwood Creek 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of District, as of December 31, 2023, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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.

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, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

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

Supplemental Information

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

A handwritten signature in blue ink that reads "Flynn CPA, LLC". The signature is written in a cursive style and is underlined with a single horizontal line.

Castle Pines, Colorado
July 18, 2024

Cottonwood Creek Metropolitan District No. 1

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and Investments	\$ 123,894	\$ -	\$ 123,894	\$ -	\$ 123,894
Cash and Investments - restricted	2,194	1,746,381	1,748,575	-	1,748,575
Receivable - County Treasurer	1,356	-	1,356	-	1,356
Property taxes receivable	744,204	-	744,204	-	744,204
Prepaid expenses	2,526	-	2,526	-	2,526
Capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	1,353,192	<u>1,353,192</u>
Total Assets	<u>\$ 874,174</u>	<u>\$ 1,746,381</u>	<u>\$ 2,620,555</u>	1,353,192	<u>3,973,747</u>
LIABILITIES					
Accounts payable	<u>\$ 1,398</u>	<u>\$ -</u>	<u>\$ 1,398</u>	-	<u>1,398</u>
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	744,353	<u>744,353</u>
Total Liabilities	<u>1,398</u>	<u>-</u>	<u>1,398</u>	744,353	<u>745,751</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>744,204</u>	<u>-</u>	<u>744,204</u>	-	<u>744,204</u>
Total Deferred Inflows of Resources	<u>744,204</u>	<u>-</u>	<u>744,204</u>	-	<u>744,204</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	2,526	-	2,526	(2,526)	-
Restricted:					
Emergencies	2,194	-	2,194	(2,194)	-
Assigned:					
Capital Projects	-	1,746,381	1,746,381	(1,746,381)	-
Unassigned	<u>123,852</u>	<u>-</u>	<u>123,852</u>	<u>(123,852)</u>	<u>-</u>
Total Fund Balances	<u>128,572</u>	<u>1,746,381</u>	<u>1,874,953</u>	<u>(1,874,953)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 874,174</u>	<u>\$ 1,746,381</u>	<u>\$ 2,620,555</u>		
Net Position:					
Net investment in capital assets				608,839	608,839
Restricted for:					
Emergencies				2,194	2,194
Unrestricted				<u>1,872,759</u>	<u>1,872,759</u>
Total Net Position				<u>\$ 2,483,792</u>	<u>\$ 2,483,792</u>

The notes to the financial statements are an integral part of these statements.

Cottonwood Creek Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 7,162	\$ -	\$ 7,162	\$ -	\$ 7,162
Election expense	1,333	-	1,333	-	1,333
Insurance	3,347	-	3,347	-	3,347
Legal	22,849	-	22,849	-	22,849
Miscellaneous	922	-	922	-	922
Treasurer's fees	4,796	-	4,796	-	4,796
Capital improvements	-	722,627	722,627	(722,627)	-
Interest on acquisition agreement	-	-	-	13,439	13,439
Total Expenditures	<u>40,409</u>	<u>722,627</u>	<u>763,036</u>	<u>(709,188)</u>	<u>53,848</u>
GENERAL REVENUES					
Property taxes	319,702	-	319,702	-	319,702
Specific ownership taxes	20,948	-	20,948	-	20,948
Interest income	84,451	-	84,451	-	84,451
Total General Revenues	<u>425,101</u>	<u>-</u>	<u>425,101</u>	<u>-</u>	<u>425,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>384,692</u>	<u>(722,627)</u>	<u>(337,935)</u>	<u>709,188</u>	<u>371,253</u>
OTHER FINANCING SOURCES (USES)					
Developer advances	-	722,627	722,627	(722,627)	-
Transfers in/(out)	(925,204)	925,204	-	-	-
Total Other Financing Sources (Uses)	<u>(925,204)</u>	<u>1,647,831</u>	<u>722,627</u>	<u>(722,627)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES					
	(540,512)	925,204	384,692	(384,692)	
CHANGE IN NET POSITION					
				371,253	371,253
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	669,084	821,177	1,490,261	622,278	2,112,539
END OF YEAR	<u>\$ 128,572</u>	<u>\$ 1,746,381</u>	<u>\$ 1,874,953</u>	<u>\$ 608,839</u>	<u>\$ 2,483,792</u>

The notes to the financial statements are an integral part of these statements.

Cottonwood Creek Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2023

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 319,703	\$ 319,702	\$ (1)
Specific ownership taxes	25,576	20,948	(4,628)
Interest income	5,000	84,451	79,451
Total Revenues	350,279	425,101	74,822
EXPENDITURES			
Accounting and audit	10,500	7,162	3,338
Election expense	5,000	1,333	3,667
Insurance	3,630	3,347	283
Legal	37,000	22,849	14,151
Miscellaneous	2,000	922	1,078
Maintenance	15,000	-	15,000
Treasurer's fees	4,796	4,796	-
Emergency reserve	2,194	-	2,194
Total Expenditures	80,120	40,409	39,711
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	270,159	384,692	114,533
OTHER FINANCING SOURCES (USES)			
Transfers in/(out)	(925,204)	(925,204)	-
Total Other Financing Sources (Uses)	(925,204)	(925,204)	-
NET CHANGE IN FUND BALANCE	(655,045)	(540,512)	114,533
FUND BALANCE:			
BEGINNING OF YEAR	655,045	669,084	14,039
END OF YEAR	\$ -	\$ 128,572	\$ 128,572

The notes to the financial statements are an integral part of these statements.

Cottonwood Creek Metropolitan District No. 1

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Cottonwood Creek Metropolitan District No. 1 (“District”), located in the City of Aurora, (“City”) Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on June 16, 2015, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District was organized along with Cottonwood Creek Metropolitan Districts No 2-5. (“Districts No. 2-5”). The District along with Districts No 2-5 operate pursuant to a service plan approved by the City on July 28, 2014 (the “Service Plan”). The Districts were formed for the purpose of financing the construction of part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The District operates as the “operating district” and revenues will be generated by property taxes. Districts No. 2-5 were considered inactive during 2021, subsequent to year end Districts No. 2-5 passed a resolution declaring return to active status. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB. The District has no employees and all operations and administrative functions are contracted.

Cottonwood Creek Metropolitan District No. 1

Notes to Financial Statements
December 31, 2023

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

Cottonwood Creek Metropolitan District No. 1

Notes to Financial Statements
December 31, 2023

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash is considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at net asset value.

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 minimum number of bank accounts. 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cottonwood Creek Metropolitan District No. 1

Notes to Financial Statements
December 31, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns 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 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition fair value at the date of donation.

The costs 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 fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements will not be depreciated.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Cottonwood Creek Metropolitan District No. 1

Notes to Financial Statements
December 31, 2023

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$2,194 of the General Fund balance has been restricted in compliance with this requirement.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

The assigned fund balance in the Capital Projects Fund is assigned for public improvements related to the District.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Cottonwood Creek Metropolitan District No. 1

Notes to Financial Statements
December 31, 2023

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2023, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 123,894
Cash and investments – Restricted	<u>1,748,575</u>
Total	<u>\$ 1,872,469</u>

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

Deposits with financial institutions	\$ 5,166
Investments – COLOTRUST	<u>1,867,303</u>
	<u>\$ 1,872,469</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. 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.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Cottonwood Creek Metropolitan District No. 1

Notes to Financial Statements
December 31, 2023

Investments

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment are not required to be categorized within the fair value hierarchy. This investment's value for COLOTRUST is calculated using the net asset value method (NAV) per share.

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2023, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00.

Cottonwood Creek Metropolitan District No. 1

Notes to Financial Statements
December 31, 2023

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2023, the District had \$1,867,303 invested in COLOTRUST Plus+.

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 630,565	\$ 722,627	\$ -	\$ 1,353,192
Total capital assets not being depreciated	<u>630,565</u>	<u>722,627</u>	<u>-</u>	<u>1,353,192</u>
Government type assets, net	<u>\$ 630,565</u>	<u>\$ 722,627</u>	<u>\$ -</u>	<u>\$ 1,353,192</u>

Note 4: Long Term Obligations

A description of the long-term obligations as of December 31, 2023, is as follows:

Infrastructure Acquisition and Reimbursement Agreement

On April 20, 2015, the District entered into an Infrastructure Acquisition and Reimbursement Agreement (“Acquisition Agreement”) with Cottonwood Creek Investments, Inc. The Acquisition Agreement contained a scrivener’s error by identifying the “Developer” as Cottonwood Creek Investments, Inc., a Colorado corporation when the parties intention was to identify Cottonwood Creek Investors, LLC, a Colorado limited liability company as the Developer (“Developer”). Cottonwood Creek Investments, Inc. is not and has not been associated with development within the boundaries of the District and is wholly unrelated to the project known as Cottonwood Creek. The District and the Developer entered into a First Amendment to Infrastructure Acquisition and Reimbursement Agreement on May 12, 2022 to correct the scrivener’s error.

The Acquisition Agreement sets forth the procedures for the District’s acquisition of public infrastructure and reimbursement to the Developer for costs related to the provision of public infrastructure. The Developer agreed to either construct certain public improvements which would then be acquired by the District or initially fund the construction and installation of such improvements by the District. Per this agreement the District agreed to reimburse the Developer for the advances plus interest at 8% per annum.

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Notes to Financial Statements
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Pursuant to the Acquisition Agreement, the obligations of the District are subject to annual appropriation and shall not constitute a debt or indebtedness within the meaning of the Colorado Constitution. Prior to reimbursement, the Developer is required to provide certain materials to the District for review. Following receipt of such materials the District’s accountant and engineer shall review the materials to substantiate the costs and issue a cost certification to the District. As of December 31, 2023, \$744,353 was due under this agreement.

Funding and Reimbursement Agreement

The District entered into a Funding and Reimbursement Agreement (Capital and Operations & Maintenance) dated April 20, 2015 with the Cottonwood Creek Investments, Inc. (the “Operations Funding Agreement”). The Operations Funding Agreement contained a scrivener’s error by identifying the “Developer” as Cottonwood Creek Investments, Inc., a Colorado corporation when the parties intention was to identify Cottonwood Creek Investors, LLC, a Colorado limited liability company as the Developer. Cottonwood Creek Investments, Inc. is not and has not been associated with development within the boundaries of the District and is wholly unrelated to the project known as Cottonwood Creek. The District and the Developer entered into a First Amendment to Funding and Reimbursement Agreement (Capital and Operations & Maintenance) on May 12, 2022 to correct the scrivener’s error.

Pursuant to the Operations Funding Agreement, the Developer agreed to make a loan to the District in an amount not to exceed \$450,000 (“Maximum Loan Amount”) through 2020 for the purpose of funding capital and general operating, administrative and maintenance costs of the Districts. Upon request of the Developer, the District has agreed to issue one or more reimbursement notes, bonds or other instruments (the “Reimbursement Obligations”) in an aggregate amount not to exceed the Maximum Loan Amount to evidence the District’s obligation to repay the funds loaned under the Operations Funding Agreement. Each loan advance will accrue simple interest at the rate of 8% per annum from the date any such advance is made until the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount. The term for repayment of this obligation is not to extend beyond 40 years from the date of the Operations Funding Agreement.

As of December 31, 2023, no amounts were outstanding under this agreement.

The following is an analysis of changes in long-term debt for the period ending December 31, 2023:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023	Current Portion
Direct Borrowing					
Acquisition Agreement	\$ 7,627	\$ 722,627	\$ -	\$ 730,254	\$ -
Interest on Acquisition Agreement	660	13,439	-	14,099	-
Total	<u>\$ 8,287</u>	<u>\$ 736,066</u>	<u>\$ -</u>	<u>\$ 744,353</u>	<u>\$ -</u>

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Notes to Financial Statements
December 31, 2023

Note 5: District Agreements

Intergovernmental Agreement with City of Aurora

The Districts entered into the Intergovernmental Agreement with the City of Aurora dated August 11, 2014, as amended on March 4, 2019 (the “IGA”) for the purpose of clarifying the services which the Districts may provide under the Service Plan, as well as those services which the Districts are prohibited from providing. The IGA was amended on March 4, 2019 to allow the District to own, operate, and maintain Public Improvements not otherwise required to be dedicated to the City or other public entity. Pursuant to the IGA and the Service Plan, the District is required to levy a regional mill levy and to remit it to an Aurora Regional Improvement (ARI) Authority or to the City under certain circumstances.

Note 6: Tax, Spending and Debt Limitations

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

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

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

The District’s management believes the District 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.

In November 2014, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

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Notes to Financial Statements
December 31, 2023

Note 7: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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: Interfund and Operating Transfers

The transfer of \$925,204 from the General Fund to Capital Projects Fund was transferred for the purpose of funding future capital improvements.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as Developer advances and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

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The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Cottonwood Creek Metropolitan District No. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital improvements	<u>1,822,332</u>	<u>722,627</u>	<u>1,099,705</u>
Total Expenditures	<u>1,822,332</u>	<u>722,627</u>	<u>1,099,705</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,822,332)</u>	<u>(722,627)</u>	<u>1,099,705</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	-	722,627	722,627
Transfers in/(out)	<u>925,204</u>	<u>925,204</u>	<u>-</u>
Total Other Financing Sources	<u>925,204</u>	<u>1,647,831</u>	<u>722,627</u>
NET CHANGE IN FUND BALANCE	(897,128)	925,204	1,822,332
FUND BALANCE:			
BEGINNING OF YEAR	<u>897,128</u>	<u>821,177</u>	<u>(75,951)</u>
END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 1,746,381</u></u>	<u><u>\$ 1,746,381</u></u>

The notes to the financial statements are an integral part of these statements.