

**Cottonwood Greens Metropolitan District No. 2  
Weld County, Colorado**

**Financial Statements  
December 31, 2023**



## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	I-III
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	1
Statement of Activities .....	2
Governmental Funds Balance Sheet and Reconciliation of Fund Balances to Net Position .....	3
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances .....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	5
Statement of Revenues, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—General Fund .....	6
Notes to Basic Financial Statements.....	7-20
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Debt Service Fund .....	21
Schedule of Revenues, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Capital Projects Fund.....	22



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cottonwood Greens Metropolitan District No. 2  
Weld County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major funds of Cottonwood Greens Metropolitan District No. 2 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 the major funds of Cottonwood Greens Metropolitan District No. 2, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cottonwood Greens Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cottonwood Greens Metropolitan District No. 2'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.

## **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Cottonwood Greens Metropolitan District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cottonwood Greens Metropolitan District No. 2'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 Supplementary Information**

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

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cottonwood Greens Metropolitan District No. 2's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of 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 supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Haynie & Company*

Littleton, Colorado  
September 27, 2023

## **BASIC FINANCIAL STATEMENTS**

**Cottonwood Greens Metropolitan District No. 2**  
**Statement of Net Position**  
**December 31, 2023**

<b>Assets</b>	<u><b>Governmental Activities</b></u>
Cash and investments	\$ 296
Cash and investments - restricted	290
Due from County Treasurer	155
Dues and Fees Receivable	300
Prepaid expenses	2,379
Property Tax Receivable	165,261
Non-current assets:	
Capital assets, net	9,320,039
Total assets	<u>\$ 9,488,720</u>
<b>Liabilities</b>	
Accounts payable	\$ 38,415
Accrued interest	677,151
Non-current liabilities - Due in more than one year	
Developer advances - due in more than one year	48,870
Bonds payable - due in more than one year	9,720,000
Total liabilities	<u>10,484,436</u>
<b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	165,261
Total deferred inflows of resources	<u>165,261</u>
<b>Net Position</b>	
Net investment in capital assets	(448,831)
Restricted for:	
Emergency	2,202
Unrestricted	(714,348)
Total Net Position	<u>(1,160,977)</u>
Total Liabilities, deferred inflows of resources and Net Position	<u>\$ 9,488,720</u>

The accompanying notes are an integral part of these financial statements.

**Cottonwood Greens Metropolitan District No. 2**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	Expenses	Charges for Services and other fees	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 204,299	\$ -	\$ -	\$ -	\$ (204,299)
Interest and related costs on long term debt	662,020	-	-	-	(662,020)
	\$ 866,319	\$ -	\$ -	\$ -	\$ (866,319)
General revenues:					
Property taxes					50,693
Specific ownership taxes					2,158
Other revenues					3,703
Total general revenues					56,554
Change in net position					(809,765)
Net position - beginning of year					(351,212)
Net position - end of year					\$ (1,160,977)

The accompanying notes are an integral part of these financial statements.

**Cottonwood Greens Metropolitan District No. 2**  
**Governmental Funds Balance Sheet**  
**and Reconciliation of Fund Balances to Net Position**  
**December 31, 2023**

<b>Assets</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Cash and investments	\$ 296	\$ -	\$ -	\$ 296
Cash and investments - restricted	-	290	-	290
Due from County Treasurer	33	122	-	155
Dues and Fees Receivable	300	-	-	300
Property taxes receivable	34,760	130,501	-	165,261
Prepaid expenses	2,379	-	-	2,379
Total assets	\$ 37,768	\$ 130,913	\$ -	\$ 168,681
 <b>Liabilities</b>				
Accounts payable	\$ 38,415	\$ -	\$ -	\$ 38,415
Total liabilities	38,415	-	-	38,415
 <b>Deferred Inflows of Resources</b>				
Deferred property tax revenue	34,760	130,501	-	165,261
Total deferred inflows of resources	34,760	130,501	-	165,261
 <b>Fund Balances</b>				
Nonspendable	2,379	-	-	2,379
Restricted:				
Emergency	2,202	-	-	2,202
Debt service	-	412	-	412
Unassigned	(39,988)	-	-	(39,988)
Total Fund Balances	(35,407)	412	-	(34,995)
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 37,768</b>	<b>\$ 130,913</b>	<b>\$ -</b>	<b>\$ 168,681</b>
Total governmental fund balance per above				\$ (34,995)
Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:				
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are excluded from the funds				9,320,039
Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:				
Developer advances				(48,870)
Bond proceeds				(9,720,000)
Accrued interest				(677,151)
Net position of governmental activities				\$ (1,160,977)

The accompanying notes are an integral part of these financial statements.

**Cottonwood Greens Metropolitan District No. 2**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenues</b>				
Property Taxes	\$ 10,662	\$ 40,031	\$ -	\$ 50,693
Specific Ownership Taxes	454	1,704	-	2,158
Fines	100	-	-	100
Design Review Fees	2,150	-	-	2,150
Interest	260	1,179	14	1,453
Total Revenues	<u>13,626</u>	<u>42,914</u>	<u>14</u>	<u>56,554</u>
<b>Expenditures</b>				
Management and Accounting Services	35,845	-	-	35,845
Legal	9,397	-	-	9,397
Insurance	2,374	-	-	2,374
Design Review Fees	1,400	-	-	1,400
Treasurer Fees	164	614	-	778
Printing, Postage & Website	97	-	-	97
SDA Dues	451	-	-	451
Water	22,429	-	-	22,429
Engineers	705	-	-	705
Fuel Surcharge	2	-	-	2
Snow Removal	538	-	-	538
Costs of Issuance	-	-	10,000	10,000
Debt Service				
Interest and other	-	41,963	-	41,963
Total Expenditures	<u>73,402</u>	<u>42,577</u>	<u>10,000</u>	<u>125,979</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(59,776)	337	(9,986)	(69,425)
<b>Other financing sources (uses)</b>				
Developer advances	20,851	-	-	20,851
Interfund transfers in (out)	-	75	(75)	-
Total other financing sources (uses)	<u>20,851</u>	<u>75</u>	<u>(75)</u>	<u>20,851</u>
<b>Net change in fund balances</b>	(38,925)	412	(10,061)	(48,574)
<b>Fund balances:</b>				
<b>Beginning of the year</b>	<u>3,518</u>	<u>-</u>	<u>10,061</u>	<u>13,579</u>
<b>End of the year</b>	<u>\$ (35,407)</u>	<u>\$ 412</u>	<u>\$ -</u>	<u>\$ (34,995)</u>

The accompanying notes are an integral part of these financial statements.

**Cottonwood Greens Metropolitan District No. 2**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2023**

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

Net change in fund balance—total governmental funds	\$	(48,574)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlays are not reported expenditures.		
Depreciation expense		(78,320)
Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.		
Increase in developer advances		(28,627)
Accrued interest on developer advances - change in liability		(3,098)
Accrued interest on Bond Payable - change in liability		<u>(651,146)</u>
Change in net position of governmental activities	\$	<u>(809,765)</u>

The accompanying notes are an integral part of these financial statements.

**Cottonwood Greens Metropolitan District No. 2**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances—Actual and Budget**  
**Governmental Fund Type—General Fund**  
**For the Year Ended December 31, 2023**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property Taxes	\$ 10,673	\$ 10,662	\$ (11)
Specific Ownership Taxes	640	454	(186)
Design Review Fees	3,500	2,150	(1,350)
Interest	-	260	260
Refunds/Other	-	100	100
Total Revenues	<u>14,813</u>	<u>13,626</u>	<u>(1,187)</u>
<b>Expenditures</b>			
Management & Accounting Services	34,000	35,845	(1,845)
Legal	25,000	9,397	15,603
Insurance	2,000	2,374	(374)
Design Review Fees	3,500	1,400	2,100
Election Costs	5,000	-	5,000
Treasurer's Fees	160	164	(4)
Office	500	97	403
Dues & Subscriptions	205	451	(246)
Utilities/Water	7,500	22,429	(14,929)
Engineers	-	705	(705)
Landscape and Grounds	123,846	-	123,846
Snow Removal	5,000	538	4,462
Fuel Surcharge	-	2	(2)
Contingency	4,000	-	4,000
Total Expenditures	<u>210,711</u>	<u>73,402</u>	<u>137,309</u>
<b>Excess Revenue Over (Under)</b>			
<b>Expenditures</b>	<u>(195,898)</u>	<u>(59,776)</u>	<u>136,122</u>
<b>Other financing sources (uses)</b>			
Developer Advances	196,346	20,851	(175,495)
Total other financing sources (uses)	<u>196,346</u>	<u>20,851</u>	<u>(175,495)</u>
<b>Net change in fund balances</b>	448	(38,925)	(39,373)
<b>Fund Balances—Beginning of year</b>	<u>3,518</u>	<u>3,518</u>	<u>-</u>
<b>Fund Balances—End of Year</b>	<u>\$ 3,966</u>	<u>\$ (35,407)</u>	<u>\$ (39,373)</u>

The accompanying notes are an integral part of these financial statements.

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements**  
**December 31, 2023**

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**1. Definition of Reporting Entity**

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Cottonwood Greens Metropolitan District No. 2 (the District), a quasi-municipal corporation, was organized in 2022. The District is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District's service area is located in the City of Fort Lupton, Weld County, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of the public improvements in the most economic manner possible.

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.

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**2. Summary of Significant Accounting Policies**

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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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**2. Summary of Significant Accounting Policies (continued)**

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

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is 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 is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**2. Summary of Significant Accounting Policies (continued)**

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Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**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 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 presented on the modified accrual basis of accounting unless otherwise indicated.

**Fair Value of Financial Instruments**

The District's financial instruments include cash and cash equivalents, 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 and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments are reported at fair value.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

**Bond Issue Costs**

In the government-wide and fund financial statements, bond issuance costs are recognized as expenses during the period incurred.

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**2. Summary of Significant Accounting Policies (continued)**

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Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Property Taxes**

Property taxes are levied by the District 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 for 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 revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets**

Capital assets, which include property, plant and equipment and infrastructure (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental activities column 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 estimated fair value at the date of donation.

Capital assets are recorded as construction in progress and are not included in the calculation of net investment in capital assets, net of related debt component of the District's net position.

Depreciation is provided under the straight-line method, with an estimated service life of 30 years.

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**2. Summary of Significant Accounting Policies (continued)**

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**Fund Equity**

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

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**3. Cash and Investments**

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**Cash**

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

Statement of net position:

Cash and investments - unrestricted	\$ 296
Cash and investments - restricted	<u>290</u>
	<u>\$ 586</u>

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

Deposits with financial institutions	\$ 586
	<u>\$ 586</u>

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

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

As of December 31, 2023, the District's cash deposits had a bank balance of \$5,412 and a carrying balance of \$586, all FDIC insured.

**Investments**

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

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

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**3. Cash and Investments (continued)**

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

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

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- \* Local government investment pools

The District had no investments as of December 31, 2023.

*Section was purposely left blank*

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**4. Capital Assets**

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A summary of changes in capital assets in 2023 follows:

	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2023</u>
Non-depreciable Assets				
Construction in progress	\$ 9,398,359	\$ -	\$(9,398,359)	\$ -
Total nondepreciable assets	<u>9,398,359</u>	<u>-</u>	<u>(9,398,359)</u>	<u>-</u>
Depreciable Assets				
Infrastructure	-	9,398,359	-	9,398,359
Total depreciable assets	-	9,398,359	-	9,398,359
Less accumulated depreciation	-	78,320	-	78,320
Net depreciable assets	<u>-</u>	<u>9,320,039</u>	<u>-</u>	<u>9,320,039</u>
Total capital assets	<u>\$ 9,398,359</u>	<u>\$9,320,039</u>	<u>\$(9,398,359)</u>	<u>\$ 9,320,039</u>
Less outstanding debt				<u>(9,768,870)</u>
Net Investment in Capital Assets				<u>\$ (448,831)</u>

Depreciation expense for the year ended December 31, 2023 was \$78,320.

*Section was purposely left blank*

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

**5. Long-Term Liabilities**

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

	<u>Balance at December 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2023</u>	<u>Due Within One Year</u>
Bonded Debt:					
2022a Bond	\$ 7,415,000	\$ -	\$ -	\$ 7,415,000	\$ -
2022b Bond	2,305,000	-	-	2,305,000	-
Accrued interest	30,024	685,330	(41,963)	673,391	-
	<u>\$ 9,750,024</u>	<u>\$ 685,330</u>	<u>\$ (41,963)</u>	<u>\$ 10,393,391</u>	<u>\$ -</u>
Developer Advances	\$ 20,243	\$ 28,627	\$ -	\$ 48,870	\$ -
Accrued interest	662	3,098	-	3,760	-
	<u>\$ 20,905</u>	<u>\$ 31,725</u>	<u>\$ -</u>	<u>\$ 52,630</u>	<u>\$ -</u>

**Developer Advances**

*Advance and Reimbursement Agreement*

In February 2020, the District entered into an Advance and Reimbursement Agreement with LGI Homes – Colorado, LLC and Cottonwood Development Partners, LLC, both Colorado Limited liability partnerships (the Developers), pursuant to which the Developers agreed to advance funds in one or more installments. Under the agreement, the funds are to be used for operation and maintenance costs. Outstanding amounts due under the agreement shall accrue simple interest at a rate of seven percent (7%) per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. The District’s obligation to reimburse the Developer under the agreement is not a multiple fiscal year obligation. Payments by the District shall be applied first to interest on, then to principal of the advances in chronological order to their effective date. The reimbursement obligation is subordinate to any bonded indebtedness of the District. The amount owed to the Developer under this agreement at December 31, 2023, includes advances of \$48,870 and accrued interest of \$3,760. The agreement shall continue until fully performed or terminated by mutual agreement of the Parties.

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**5. Long-Term Liabilities (continued)**

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**General Obligation Limited Tax Bonds, Series 2022A**

On December 1, 2022, the District issued \$7,415,000 of General Obligation Limited Tax Bonds Series 2022A (the “Bonds”) for the purpose of funding additional public improvements in the District and for costs of issuance associated with the Bonds.

The Series 2022 bonds carry interest at the rate of 6.75% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available therefore on each December 1, commencing on December 1, 2023, and shall mature on December 1, 2062. In the event that the Pledged Revenue is insufficient to pay the Bonds when due, the unpaid principal will remain outstanding until the earlier of its payment or the termination date and shall continue to bear interest at the rate then borne by the Bonds. To the extent interest on the Bond is not paid when due, such interest shall remain due and owing, but shall not compound or bear additional interest as a result thereof, at the rate then borne by the Bond.

The Bonds are subject to redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<b>Date of Redemption</b>	<b>Redemption Premium</b>
December 1, 2027, through November 30, 2028	3.00%
December 1, 2028, through November 30, 2029	2.00%
December 1, 2029, through November 30, 2030	1.00%
December 1, 2030, and thereafter	0.00%

The Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 2, 2062, regardless of the amount of principal and interest paid prior to the Termination Date. Upon such discharge, the owners of the Bonds will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Bonds remaining unpaid.

Event of Default include:

- a) Failure or refusal to impose the Required Mill Levy or to apply the Pledged Revenue.
- b) Default in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Bond Indenture or the Bond Resolution.
- c) Filing a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**5. Long-Term Liabilities (continued)**

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The District acknowledges and agrees that the application of any portion of the Pledged Revenue to any purpose other than deposit with the Trustee constitutes a violation and a breach of covenants, resulting in actions against the District in law or in equity.

In the event of default, the bondholder may appoint a receiver or other custodian, be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Bond Indenture to, the Trustee, or take other legal action according to the agreement deemed appropriate.

**General Obligation Limited Tax Bonds, Series 2022B**

On December 1, 2022, the District issued \$2,305,000 of General Obligation Limited Tax Bonds Series 2022B (the “Bonds”) for the purpose of funding additional public improvements in the District and for costs of issuance associated with the Bonds.

The Series 2022B bonds carry interest at the rate of 8.0% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available therefore on each December 1, commencing on December 15, 2023, and shall mature on December 1, 2062. In the event that the Pledged Revenue is insufficient to pay the Bonds when due, the unpaid principal will remain outstanding until the earlier of its payment or the termination date and shall continue to bear interest at the rate then borne by the Bonds. To the extent interest on the Bond is not paid when due, such interest shall remain due and owing, but shall not compound or bear additional interest as a result thereof, at the rate then borne by the Bond.

The Bonds are subject to redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<b>Date of Redemption</b>	<b>Redemption Premium</b>
December 1, 2027, through November 30, 2028	3.00%
December 1, 2028, through November 30, 2029	2.00%
December 1, 2029, through November 30, 2030	1.00%
December 1, 2030, and thereafter	0.00%

The Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 2, 2062, regardless of the amount of principal and interest paid prior to the Termination Date. Upon such discharge, the owners of the Bonds will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Bonds remaining unpaid.

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**5. Long-Term Liabilities (continued)**

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Events of Default include:

- a) Failure or refusal to impose the Required Mill Levy or to apply the Pledged Revenue.
- b) Default in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Bond Indenture or the Bond Resolution.
- c) Filing a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

The District acknowledges and agrees that the application of any portion of the Pledged Revenue to any purpose other than deposit with the Trustee constitutes a violation and a breach of covenants, resulting in actions against the District in law or in equity.

In the event of default, the bondholder may appoint a receiver or other custodian, be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Bond Indenture to, the Trustee, or take other legal action according to the agreement deemed appropriate.

On December 7, 2022, a majority of qualified electors of the District who voted in the election authorized the issuance of indebtedness. Pursuant to the Amended and Service Plan, dated February 4, 2020, the District is permitted to issue bond indebtedness of up to \$14,178,000. 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. At December 31, 2023, the District had \$4,450,000 of authorized but unissued debt.

All long-term debt is expected to be repaid by limited taxes imposed and collected for no greater than the maximum debt mill levy imposition term of residential properties and at a mill levy no higher than 55.277 mills.

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**6. Net Position**

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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 balances of debt attributable to the acquisition, construction, or improvement of those assets, excluding unspent bond proceeds. As of December 31, 2023, the District reported a net investment in capital assets of \$(448,831).

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**6. Net Position (continued)**

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Restricted assets include the net position that is 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 restricted net position as of December 31, 2023 as follows:

Restricted net position:

Emergency Reserves (see Note 9)	\$ <u>2,202</u>
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The District's unrestricted net position as of December 31, 2023 is \$(714,348).

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**7. Risk Management**

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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 (Pool) as of December 31, 2023. 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 and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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**8. Tax, Spending and Debt Limitations**

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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.

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.

**Cottonwood Greens Metropolitan District No. 2**  
**Notes to Financial Statements (continued)**  
**December 31, 2023**

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**8. Tax, Spending and Debt Limitations (continued)**

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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.

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**9. Related Parties**

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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. District management believes that all potential conflicts, if any, have been properly disclosed.

## **Supplementary Information**

**Cottonwood Greens Metropolitan District No. 2**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—Debt Service Fund**  
**For the Year Ended December 31, 2023**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property tax	\$ 40,070	\$ 40,031	\$ (39)
Specific Ownership Tax	2,404	1,704	(700)
Interest Revenue	-	1,179	1,179
Total Revenues	<u>42,474</u>	<u>42,914</u>	<u>440</u>
<b>Expenditures</b>			
Treasurers Fees	601	614	(13)
Paying Agent Fees	4,000	-	4,000
Debt Service			
Interest and other	<u>37,873</u>	<u>41,963</u>	<u>(4,090)</u>
Total Expenditures	<u>42,474</u>	<u>42,577</u>	<u>(103)</u>
<b>Excess Revenue Over (Under)</b>			
<b>Expenditures</b>	<u>-</u>	<u>337</u>	<u>337</u>
<b>Other financing sources (uses)</b>			
Interfund transfers in (out)	<u>-</u>	<u>75</u>	<u>75</u>
Total other financing sources (uses)	<u>-</u>	<u>75</u>	<u>75</u>
<b>Net change in fund balance</b>	-	412	412
<b>Fund Balance—Beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance—End of Year</b>	<u>\$ -</u>	<u>\$ 412</u>	<u>\$ 412</u>

**Cottonwood Greens Metropolitan District No. 2**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—Capital Projects Fund**  
**For the Year Ended December 31, 2023**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Interest Revenue	\$ -	\$ 14	\$ 14
Total Revenues	<u>-</u>	<u>14</u>	<u>14</u>
<b>Expenditures</b>			
Cost of Issuance	385,000	10,000	375,000
Capital Projects	<u>10,615,000</u>	<u>-</u>	<u>10,615,000</u>
Total Expenditures	<u>11,000,000</u>	<u>10,000</u>	<u>10,990,000</u>
<b>Excess Revenue Over (Under)</b>			
<b>Expenditures</b>	<u>(11,000,000)</u>	<u>(9,986)</u>	<u>10,990,014</u>
<b>Other financing sources (uses)</b>			
Developer Advances	11,000,000	-	(11,000,000)
Interfund transfer in (out)	<u>-</u>	<u>(75)</u>	<u>(75)</u>
Total other financing sources (uses)	<u>11,000,000</u>	<u>(75)</u>	<u>(11,000,075)</u>
<b>Net change in fund balance</b>	-	(10,061)	(10,061)
<b>Fund Balance—Beginning of year</b>	<u>10,061</u>	<u>10,061</u>	<u>-</u>
<b>Fund Balance—End of Year</b>	<u>\$ 10,061</u>	<u>\$ -</u>	<u>\$ (10,061)</u>