

**Cottonwood Greens Metropolitan District No. 2**

Financial Statements

Year Ended December 31, 2024

with

Independent Auditor's Report

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# COLORADO CPA COMPANY

## Independent Auditor's Report

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 fund of Cottonwood Greens Metropolitan District No. 2 (the "District"), as of and for the year ended December 31, 2024, 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 Cottonwood Greens Metropolitan District No. 2 as of December 31, 2024, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplemental Information***

Management has omitted the 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### ***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. The supplemental information as listed in the table of contents is presented for the purpose 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Colorado CPA Company PC*

Highlands Ranch, Colorado  
September 22, 2025

**Cottonwood Greens Metropolitan District No. 2**

Statement of Net Position

December 31, 2024

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	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Cash and investments - unrestricted	\$ -
Cash and investments - restricted	11,107
Accounts receivable, net of allowance for doubtful accounts	400
Receivable from County Treasurer	491
Property taxes receivable	<u>237,348</u>
Total current assets	249,346
Capital assets:	
Capital assets, not being depreciated	-
Capital assets, net of accumulated depreciation	<u>9,006,760</u>
Total capital assets	<u>9,006,760</u>
 Total assets	 9,256,106
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued expenses	<u>72,370</u>
Total current liabilities	72,370
Long-term liabilities:	
Long-term obligations, net of current portion	9,889,521
Unpaid interest on bonds	<u>1,257,711</u>
Total long-term liabilities	<u>11,147,232</u>
 Total liabilities	 11,219,602
<b>Deferred inflows of resources</b>	
Deferred property tax revenue	<u>237,348</u>
Total deferred inflows of resources	237,348
<b>Net position/(deficit):</b>	
Restricted for:	
Emergencies	5,000
Debt Service	8,142
Unrestricted	<u>(2,213,986)</u>
Total net position/(deficit)	<u>\$ (2,200,844)</u>

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

**Cottonwood Greens Metropolitan District No. 2**  
Statement of Activities  
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense)/Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
Primary Government:					
Governmental Activities:					
General government	\$ 494,982	\$ -	\$ -	\$ (494,982)	\$ (494,982)
Interest on long-term debt and related costs	722,758	-	-	(722,758)	(722,758)
Total governmental activities	1,217,740	-	-	(1,217,740)	(1,217,740)
 Primary government total	 <u>\$ 1,217,740</u>	 <u>\$ -</u>	 <u>\$ -</u>	 (1,217,740)	 (1,217,740)
General Revenues:					
Property taxes				166,386	166,386
Specific ownership taxes				5,982	5,982
Interest income				3,005	3,005
Design review fees				2,400	2,400
Fines				100	100
Total general revenues				<u>177,873</u>	<u>177,873</u>
 Change in net position				 (1,039,867)	 (1,039,867)
Net Position:					
Beginning				<u>(1,160,977)</u>	<u>(1,160,977)</u>
Ending				<u>(2,200,844)</u>	<u>(2,200,844)</u>

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

**Cottonwood Greens Metropolitan District No. 2**

Balance Sheet

Governmental Funds

For the Year Ended December 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments - unrestricted	\$ -	\$ -	\$ -
Cash and investments - restricted	3,353	7,754	11,107
Accounts receivable	400	-	400
Receivable from County Treasurer	103	388	491
Due from Developer	91,069	-	91,069
Property taxes receivable	47,468	189,880	237,348
Capital assets, not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
Total assets	<u>\$ 142,393</u>	<u>\$ 198,022</u>	<u>\$ 340,415</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	<u>\$ 72,370</u>	<u>\$ -</u>	<u>\$ 72,370</u>
Total liabilities	72,370	-	72,370
<b>Deferred inflows of resources</b>			
Deferred property tax revenue	<u>47,468</u>	<u>189,880</u>	<u>237,348</u>
Total deferred inflows of resources	47,468	189,880	237,348
<b>Fund balances</b>			
Restricted:			
Emergencies	5,000	-	5,000
Debt service	-	8,142	8,142
Unassigned	<u>17,555</u>	<u>-</u>	<u>17,555</u>
Total fund balances	<u>22,555</u>	<u>8,142</u>	<u>30,697</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 142,393</u>	<u>\$ 198,022</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation 9,006,760

Advances from the Developer are not available to pay for expenditures until received and, therefore, are removed from the statement of net position

(91,069)

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

Bonds payable (9,720,000)

Accrued interest on bonds payable (1,257,711)

Developer advances and accrued interest payable (169,521)

Net position of governmental activities \$ (2,200,844)

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

**Cottonwood Greens Metropolitan District No. 2**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures</b>			
General government:			
Management and accounting	\$ 42,589	\$ -	\$ 42,589
Legal	19,985	-	19,985
Insurance	2,629	-	2,629
Design review fees	2,400	-	2,400
Treasurer fees	538	1,958	2,496
Printing, postage and website	199	-	199
SDA dues	502	-	502
Water costs	35,518	-	35,518
Repairs and maintenance	75,238	-	75,238
Snow removal	2,105	-	2,105
Debt service:			
Bond interest	-	121,520	121,520
Trustee fees	-	7,000	7,000
Total expenditures	<u>181,703</u>	<u>130,478</u>	<u>312,181</u>
<b>General revenues</b>			
Property taxes	35,884	130,502	166,386
Specific ownership taxes	1,258	4,724	5,982
Interest income	23	2,982	3,005
Design review fees	2,400	-	2,400
Fines	100	-	100
Total revenues	<u>39,665</u>	<u>138,208</u>	<u>177,873</u>
<b>Excess/(deficiency) of revenues over expenditures</b>	(142,038)	7,730	(134,308)
<b>Other financing sources/(uses)</b>			
Developer advance proceeds	<u>200,000</u>	-	<u>200,000</u>
Net other financing sources/(uses)	200,000	-	200,000
<b>Net changes in fund balances</b>	57,962	7,730	65,692
<b>Fund balances</b>			
Beginning of year	<u>(35,407)</u>	<u>412</u>	<u>(34,995)</u>
End of year	<u>\$ 22,555</u>	<u>\$ 8,142</u>	<u>\$ 30,697</u>

The accompanying notes to the financial statements 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, 2024

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Net change in fund balances - governmental funds: \$ 65,692

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

Governmental funds report capital outlay as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure. However, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Depreciation (313,279)

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.

Proceeds from developer advance (200,000)

Change in accrued interest on bonds payable (584,320)

Change in accrued interest on developer advance payable (7,960)

Change in net position of governmental activities \$ (1,039,867)

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

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 1 – Definition of Reporting Entity

#### Definition of Reporting Entity

Cottonwood Greens Metropolitan District No. 2 (the “District”), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 2006 and is governed pursuant to provisions of the Colorado Special District Act. 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 primary revenues of the District are property taxes and developer funding. The District is governed by an elected board of directors.

As required by accounting principles generally accepted in the United States of America (“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 Governmental Accounting Standards Boards (“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 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, nor is the District a component unit of any other primary governmental entity.

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

### Note 2 – Summary of Significant Accounting Policies

The accounting policies of the District conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

The accompanying financial statements are presented per GASB Statement No. 34, “*Special Purpose Governments.*”

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Basis of Presentation

The government-wide financial statements (i.e. the statement of net position and the 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. Governmental activities are normally supported by property taxes.

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.

For the most part, the effect of inter-fund activity has been eliminated from these financial statements.

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

#### 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.

#### 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. Property taxes are recognized as revenues in the year for which they are levied and collected. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are shown as increases in assets and repayments of long-term obligations are shown as a reduction of the long-term liability.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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 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 period. The material sources of revenue subject to accrual are property taxes and intergovernmental revenue. The District determined that developer advance proceeds are not considered to be revenue susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

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.

*Debt Service Fund* – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

#### Budgetary Accounting

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

Subsequent to year-end, the District amended the General Fund Budget from appropriations of \$175,346 to \$182,000.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### 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 as of December 31, 2024, 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 investments are 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 fair value.

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

#### Accounts Receivable, Allowance for Doubtful Accounts

Design review fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

#### Deferred Outflows 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 has no items that qualify for reporting in this category.

#### Deferred Inflows of Resources

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 or are collected.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Capital Assets

Capital assets, which include property and infrastructure assets (e.g. streets and similar items), are reported in the applicable governmental or business-type 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 that will be conveyed to other governmental entities are classified as construction in progress, are not included in the calculation of net investment in capital assets and are not depreciated. Land and certain landscaping improvements are not depreciated.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital 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. Depreciation expense has been computed using the straight-line method, with an estimated economic useful life of 30 years.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

#### Bond Issuance Costs

In the government-wide and fund financial statements, bond issuance costs are recognized as expenses during the period incurred. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Fund Equity

Fund balances for governmental funds are 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: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all these components. The following classifications describe the relative strength of the spending constraints:

*Non-spendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaids and inventory) or is legally or contractually required to be maintained intact.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Fund Equity (continued)

*Restricted fund balance* – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

*Committed fund balance* – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision-making authority, the Board of Directors, prior to the end of the current fiscal year. 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 above criteria.

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.

#### Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports the following categories of net position:

*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 of resources related to those assets.

*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 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.

**Cottonwood Greens Metropolitan District No. 2**

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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 who assess the property tax obligation of the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or at the taxpayers' election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally 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 revenues are recorded as revenue in the year they are available or collected.

**Note 3 – Cash and Investments**

Cash and investments as of December 31, 2024, are classified in the accompanying financial statement as follows:

Statement of net position:

Cash and investments - unrestricted	\$	-
Cash and investments - restricted		<u>11,107</u>
Total	\$	<u>11,107</u>

Cash and investments as of December 31, 2024, consist of the following:

Deposits with financial institutions	\$	10,708
Investments held in trust		<u>399</u>
Total	\$	<u>11,107</u>

Cash Deposits

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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, 2024, the District's cash deposits had a bank balance equal to its carrying balance of \$10,708.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 3 – Cash and Investments (continued)

#### Cash Deposits (continued)

##### *Custodial Credit Risks – Deposits*

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2024, none of the District's bank balance was exposed to custodial credit risk.

#### Investments

##### *Investment Policies*

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

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 or sinking fund requirements. Colorado State statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

##### *Concentration Risk and Custodial Risk – Investments*

Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

**Cottonwood Greens Metropolitan District No. 2**

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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**Note 3 – Cash and Investments (continued)**

Investments (continued)

*Investment Valuation*

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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 investments in money market funds are not required to be categorized within the fair value hierarchy and are reported at fair value.

As of December 31, 2024, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Liquid Asset Trust:		
COLOTRUST PLUS+	Weighted Average Under 60 Days	\$ 399
Total investments		<u>\$ 399</u>

*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 COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. 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. 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. As of December 31, 2024, the District had \$399 invested in COLOTRUST PLUS+.

Restricted Cash and Investments

As of December 31, 2024, portions of cash and investments were restricted for emergency reserves, capital projects and debt service.

## Cottonwood Greens Metropolitan District No. 2

### Notes to the Financial Statements For the Year Ended December 31, 2024

#### Note 4 – Capital Assets

An analysis of the District’s changes in capital assets for the year ended December 31, 2024, follows:

Governmental Activities:	Balances 01/01/2024	Additions	Deletions	Balances 12/31/2024
Capital assets not being depreciated:				
Construction in Process	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Infrastructure	9,398,359	-	-	9,398,359
Total capital assets being depreciated	9,398,359	-	-	9,398,359
Less accumulated depreciation	(78,320)	(313,279)	-	(391,599)
Net capital assets being depreciated	9,320,039	(313,279)	-	9,006,760
Governmental activities capital assets, net	<u>\$ 9,320,039</u>	<u>\$ (313,279)</u>	<u>\$ -</u>	<u>\$ 9,006,760</u>
Less outstanding debt				<u>(9,720,000)</u>
Net investment in capital assets				<u>\$ (713,240)</u>

Depreciation expense for the year was 313,279

#### Note 5 – Long-term Obligations

An analysis of changes in the District’s long-term obligations for the year ended December 31, 2024, follows:

Governmental activities:	Balances 01/01/2024	Additions	Deletions	Balances 12/31/2024	Current Portion
General obligation bonds:					
2022a Bond	\$ 7,415,000	\$ -	\$ -	\$ 7,415,000	\$ -
2022b Bond	2,305,000	-	-	2,305,000	-
Accrued interest	673,391	705,840	(121,520)	1,257,711	-
Subtotal, general obligation bonds	10,393,391	705,840	(121,520)	10,977,711	-
2022 Developer Advance <sup>[1]</sup>	48,870	-	-	48,870	-
Accrued interest 2022 developer advance <sup>[1]</sup>	3,760	3,430	-	7,190	-
Subtotal, developer advances	52,630	113,461	-	56,060	-
2024 Developer Advance <sup>[2]</sup>	-	108,931	-	108,931	-
Accrued interest 2024 developer advance <sup>[2]</sup>	-	4,530	-	4,530	-
Subtotal, developer advances	-	113,461	-	113,461	-
Total	<u>\$ 10,446,021</u>	<u>\$ 822,731</u>	<u>\$ (121,520)</u>	<u>\$ 11,147,232</u>	<u>\$ -</u>

<sup>[1]</sup> 2022 Agreement with Cottonwood Development Partners, LLC

<sup>[2]</sup> 2024 Agreement with LGI Homes - Colorado, LLC

General obligation bonds issued for governmental activities are liquidated by the debt service fund.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 5 – Long-term Obligations (continued)

#### Advance and Reimbursement Agreement for Operation and Maintenance Costs (“2022 Developer Advance”)

On April 8, 2022, the District entered into an Advance and Reimbursement Agreement for Operation and Maintenance Costs (“2022 Developer Advance”) with Cottonwood Development Partners, LLC, a Colorado Limited liability company (the “Developer”), pursuant to which the Developer 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 (non-compounding). 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 agreement shall continue until fully performed or terminated by mutual agreement of the Parties.

Cottonwood Development Partners, LLC acknowledged the pre-existing 2022 Developer Advance and agreed to the District’s prioritization of payment of all reimbursements for operations and maintenance advances that may be appropriated by the District for the benefit of LGI Homes – Colorado, LLC over and above any reimbursements for operations and maintenance advances that may be due to Cottonwood Development Partners, LLC. Cottonwood Development Partners, LLC consents and agrees that unless and until all reimbursements are repaid in full to LGI Homes – Colorado, LLC, they will not receive any payments or reimbursements nor exercise any rights or remedies against the District in connection with advances under the agreement.

#### Advance and Reimbursement Agreement for Operation and Maintenance Costs (2024 Developer Advance)

On May 3, 2024, the District entered into an Advance and Reimbursement Agreement for Operation and Maintenance Costs (“2024 Developer Advance”) with LGI Homes – Colorado, LLC, a Colorado Limited liability company (the “Home Builder”), pursuant to which the Home Builder agreed to advance funds in three installments throughout the year 2024, with a cap of \$200,000. Subsequent to year-end, the District and the Home Builder amended the agreement to extend the advances through December 31, 2026 for a maximum additional amount of \$155,000. 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 (non-compounding). 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 agreement shall continue until fully performed or terminated by mutual agreement of the Parties.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 5 – Long-term Obligations (continued)

#### Infrastructure Acquisition Agreement (“2022 IAA”)

On April 8, 2022, the District entered into an Infrastructure Acquisition Agreement (“2022 IAA”) with LGI Homes – Colorado, LLC and Cottonwood Development Partners, LLC, both Colorado Limited liability companies, for the acquisition of infrastructure improvements within the district and payment for the improvements. The District shall make payment for the improvements, 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 agreement shall continue until fully performed or terminated by mutual agreement of the Parties. In 2022, the district acquired the improvements and repaid the amounts using bond proceeds.

#### 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 “Series 2022A Bonds”) for the purpose of funding additional public improvements in the District and for costs of issuance associated with the Bonds. The Series 2022A Bonds were issued directly to Front Range Securities, LLC (affiliate of the Developer), who agreed to accept the bonds as reimbursement of the amounts due under the Infrastructure Acquisition Agreement.

The Series 2022A Bonds are issued in authorized denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof. They 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 in denominations of \$1,000 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 Series 2022A Bonds. To the extent interest on the Series 2022A Bonds 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.

Revenues pledged include moneys derived from the Required Mill Levy, the portion of specific ownership tax which is collected as a result of imposition of the Required Mill Levy, and any other legally available moneys which the Board of Directors determined, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 5 – Long-term Obligations (continued)

#### General Obligation Limited Tax Bonds, Series 2022A (continued)

The Series 2022A 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:

Date of Redemption	Redemption Premium
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 Termination Date for the Bonds is December 16, 2062, which is the date on which no further payments will be due, regardless of the amount of principal and interest paid prior to the Termination Date. The Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 2, 2062. 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
- c) conditions on the part of the District in the Bond Indenture or the Bond Resolution.
- d) Filing a petition under the federal bankruptcy laws or other applicable bankruptcy laws
- e) seeking to adjust the obligation represented by the Bonds.

It is acknowledged that due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Series 2022A Bonds when due shall not, of itself, constitute an Event of Default.

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.

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### Note 5 – Long-term Obligations (continued)

#### 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 “Series 2022B 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 were issued directly to Front Range Securities, LLC (affiliate of the Developer), who agreed to accept the bonds as reimbursement of the amounts due under the Infrastructure Acquisition Agreement.

The Series 2022B Bonds are issued in authorized denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof. They 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 Subordinate Pledged Revenue available therefore on each December 15, commencing on December 15, 2023, and shall mature on December 15, 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.

Revenues pledged include moneys derived from Subordinate Property Taxes after applying such amounts to pay amounts due on the Series 2022A Bonds, the portion of specific ownership tax which is collected as a result of imposition of the Subordinate Required Mill Levy, and any other legally available moneys which the Board of Directors determined, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue after applying such amounts to pay amounts due on the Series 2022A Bonds.

The Series 2022B 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:

Date of Redemption	Redemption Premium
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 Termination Date for the Series 2022B Bonds is December 16, 2062, which is the date on which no further payments will be due, regardless of the amount of principal and interest paid prior to the Termination Date. The Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 16, 2062. 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 the Financial Statements  
For the Year Ended December 31, 2024

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### Note 5 – Long-term Obligations (continued)

#### General Obligation Limited Tax Bonds, Series 2022B (continued)

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.

#### Future Maturity

Due to the cash flow nature of the Series 2022A Bonds and Series 2022B Bonds, no schedule of future maturity is presented.

#### Debt authorization

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 Restated 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. As of December 31, 2024, the District had \$4,458,000 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 per the Service Plan. The Service Plan allows for an adjustment to increase or decrease the mill levies if there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, in a good faith effort so that to the extent possible, the actual tax revenues generated from the adjusted mill levies are neither diminished or enhanced as a result of the changes.

**Cottonwood Greens Metropolitan District No. 2**

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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**Note 6 – Fund Balances and Net Position/(Deficit)**

Fund Balances

The District’s total fund balance consists of the following components:

Fund balance - restricted for:	
Emergencies (TABOR)	\$ 5,000
Debt service	<u>8,142</u>
Total restricted fund balance	13,142
Fund balance - unassigned	<u>17,555</u>
Total fund balance	<u><u>\$ 30,697</u></u>

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation. Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8). December 31, 2024, the restricted portion of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund is restricted for the payment of the debt service costs associated with the District’s long-term obligations (see Note 5).

The unassigned fund balance represents the residual portion of fund balance that does not meet any of the above-described criteria and is available for general use by the District.

Net Position/(Deficit)

The District’s net position/(deficit) consists of the following components:

Net position - restricted for:	
Emergencies (TABOR)	\$ 5,000
Debt service	<u>8,142</u>
Total restricted net position	13,142
Net position/(deficit) - unrestricted	<u>(2,213,986)</u>
Total net position/(deficit)	<u><u>\$ (2,200,844)</u></u>

## Cottonwood Greens Metropolitan District No. 2

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### **Note 6 – Fund Balances and Net Position/(Deficit) (continued)**

#### Net Position/(Deficit) (continued)

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, developer advances, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, excluding unspent bond proceeds. As of December 31, 2024, the District had net investment in capital assets in the amount of \$(713,240).

Restricted assets include net position that are restricted for use either externally by creditors, granters, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2024, the District had restricted net position for Emergency Reserves and debt service.

The unrestricted net position includes all other net position that does not meet the definition of the above two components and is available for general use by the District. The District had a deficit in unrestricted net position at December 31, 2024 for governmental activities.

### **Note 7 – Risk Management**

The District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool") as of December 31, 2024. 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.

## **Cottonwood Greens Metropolitan District No. 2**

Notes to the Financial Statements  
For the Year Ended December 31, 2024

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### **Note 8 – Tax, Spending and Debt Limitations**

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), which adds a new Section 20 to Article X of the Colorado Constitution. 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.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above tax policy change directly causing a net tax revenue gain to any local government. Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

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.

### **Note 9 – Related Parties**

Two of the three members 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.

Required Supplemental Information

**Cottonwood Greens Metropolitan District No. 2**  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended December 31, 2024

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Budget - Favorable/ (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 34,760	\$ 35,884	\$ 35,884	\$ -
Specific ownership taxes	2,086	1,258	1,258	-
Interest income	-	23	23	-
Design review fees	3,500	2,400	2,400	-
Fines	-	100	100	-
Total revenues	<u>40,346</u>	<u>39,665</u>	<u>39,665</u>	<u>-</u>
<b>Expenditures</b>				
Management and accounting	40,000	42,886	42,589	297
Legal	7,500	19,985	19,985	-
Insurance	2,493	2,629	2,629	-
Design review fees	3,500	2,400	2,400	-
Treasurer fees	521	538	538	-
Printing, postage and website	500	199	199	-
SDA dues	474	502	502	-
Water costs	16,000	35,518	35,518	-
Repairs and maintenance	94,515	75,238	75,238	-
Snow removal	5,000	2,105	2,105	-
	4,843	-	-	-
Total expenditures	<u>175,346</u>	<u>182,000</u>	<u>181,703</u>	<u>297</u>
<b>Excess/(deficiency) of revenues over expenditures</b>	(135,000)	(142,335)	(142,038)	297
<b>Other financing sources/(uses)</b>				
Developer advance proceeds	135,000	200,000	200,000	-
Net other financing sources/(uses)	135,000	200,000	200,000	-
<b>Net changes in fund balances</b>	-	57,665	57,962	297
<b>Fund balances</b>				
Beginning of year	3,520	(35,407)	(35,407)	-
End of year	<u>\$ 3,520</u>	<u>\$ 22,258</u>	<u>\$ 22,555</u>	<u>\$ 297</u>

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

Supplemental Information

**Cottonwood Greens Metropolitan District No. 2**  
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Debt Service Fund  
For the Year Ended December 31, 2024

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget - Favorable/ (Unfavorable)
<b>Revenues</b>			
Property taxes	\$ 130,501	\$ 130,502	\$ 1
Specific ownership taxes	7,830	4,724	(3,106)
Interest income	-	2,982	2,982
Total revenues	<u>138,331</u>	<u>138,208</u>	<u>(123)</u>
<b>Expenditures</b>			
Bond interest	131,721	121,520	10,201
Trustee fees	4,000	7,000	(3,000)
Treasurer's fees	2,610	1,958	652
Total expenditures	<u>138,331</u>	<u>130,478</u>	<u>7,853</u>
<b>Excess/(deficiency) of revenues over expenditures</b>	-	7,730	7,730
<b>Other financing sources/(uses)</b>			
Transfer (to)/from other funds	-	-	-
Net other financing sources/(uses)	-	-	-
<b>Net changes in fund balances</b>	-	7,730	7,730
<b>Fund balances</b>			
Beginning of year	333	412	79
End of year	<u>\$ 333</u>	<u>\$ 8,142</u>	<u>\$ 7,809</u>

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