

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
WELD COUNTY, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Of the Cottonwood Townhomes Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cottonwood Townhomes Metropolitan District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Cottonwood Townhomes Metropolitan 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 Townhomes Metropolitan District, as of December 31, 2025, and the respective changes in financial for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cottonwood Townhomes Metropolitan 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 Cottonwood Townhomes Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cottonwood Townhomes Metropolitan 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 Cottonwood Townhomes Metropolitan 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 Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cottonwood Townhomes Metropolitan District's basic financial statements. The supplemental information listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The supplemental schedules of Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual and of Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual ("Supplemental Schedules") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the 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 Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express any opinion or provide any assurance on them.

Metro District Accounting Services, Inc

April 30, 2026

BASIC FINANCIAL STATEMENTS

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 8,362
Cash and Investments - Restricted	3,330
Property Taxes Receivable	73,263
Prepaid Insurance	2,122
Capital Assets, Not Being Depreciated	5,374,880
Total Assets	5,461,957
LIABILITIES	
Accounts Payable	892
Noncurrent Liabilities:	
Due in More than One Year	5,590,945
Total Liabilities	5,591,837
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	73,263
Total Deferred Inflows of Resources	73,263
NET POSITION	
Net Investment in Capital Assets	(1,697)
Restricted for:	
Emergency Reserves	300
Debt Service	3,030
Unrestricted	(204,776)
Total Net Position	\$ (203,143)

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 21,683	\$ -	\$ -	\$ -	\$ (21,683)
Interest and Related Costs on Long-Term Debt	212,263	-	-	-	(212,263)
	<u>212,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(212,263)</u>
Total Governmental Activities	<u>\$ 233,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(233,946)
GENERAL REVENUES					
Property Taxes					8,307
Specific Ownership Taxes					337
Net Investment Income					173
Special Items:					
Forgiveness of Debt					46,880
Total General Revenues					<u>55,697</u>
CHANGE IN NET POSITION					(178,249)
Net Position - Beginning of Year					<u>(24,894)</u>
NET POSITION - END OF YEAR					<u>\$ (203,143)</u>

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2025**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 8,362	\$ -	\$ -	\$ 8,362
Cash and Investments - Restricted	300	-	3,030	3,330
Property Taxes Receivable	15,409	57,854	-	73,263
Prepaid Insurance	2,122	-	-	2,122
Total Assets	\$ 26,193	\$ 57,854	\$ 3,030	\$ 87,077
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 892	\$ -	\$ -	\$ 892
Total Liabilities	892	-	-	892
 DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	15,409	57,854	-	73,263
Total Deferred Inflows of Resources	15,409	57,854	-	73,263
 FUND BALANCES				
Non-spendable	2,122	-	-	2,122
Restricted for:				
Emergency Reserves	300	-	-	300
Capital Projects	-	-	3,030	3,030
Assigned for Subsequent Year	5,451	-	-	5,451
Unassigned	2,019	-	-	2,019
Total Fund Balances	9,892	-	3,030	12,922
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 26,193	\$ 57,854	\$ 3,030	

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 as assets in the funds.

Capital Assets, Not Being Depreciated	5,374,880
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

Bonds Payable	(5,500,000)
Accrued Interest on Bonds Payable	(40,944)
Developer Advance Payable	(45,744)
Accrued Interest on Developer Advance Payable	(4,257)

Net Position of Governmental Activities	\$ (203,143)
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See accompanying Notes to Basic Financial Statements.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025**

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 8,307	\$ -	\$ -	\$ 8,307
Specific Ownership Taxes	337	-	-	337
Net Investment Income	143	-	30	173
Total Revenues	<u>8,787</u>	<u>-</u>	<u>30</u>	<u>8,817</u>
EXPENDITURES				
General and Administration:				
Accounting and Legal Fees	19,158	-	-	19,158
County Treasurer's Fees	125	-	-	125
Insurance and SDA Membership	2,399	-	-	2,399
Debt Service:				
Bond Issue Costs	-	-	169,000	169,000
Capital Projects:				
Capital Outlay	-	-	5,374,880	5,374,880
Total Expenditures	<u>21,682</u>	<u>-</u>	<u>5,543,880</u>	<u>5,565,562</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,895)	-	(5,543,850)	(5,556,745)
OTHER FINANCING SOURCES (USES)				
Developer Advances	21,242	-	5,374,880	5,396,122
Bond Issuance - Series 2025	-	-	5,500,000	5,500,000
Repay Developer Advance	-	-	(5,328,000)	(5,328,000)
Total Other Financing Sources (Uses)	<u>21,242</u>	<u>-</u>	<u>5,546,880</u>	<u>5,568,122</u>
NET CHANGE IN FUND BALANCES	8,347	-	3,030	11,377
Fund Balances - Beginning of Year	<u>1,545</u>	<u>-</u>	<u>-</u>	<u>1,545</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,892</u>	<u>\$ -</u>	<u>\$ 3,030</u>	<u>\$ 12,922</u>

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

Net Change in Fund Balances - Total Governmental Funds \$ 11,377

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure.

Capital Outlay 5,374,880

The issuance of long-term debt (e.g. bond issuance, developer advance) 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. Neither transaction, however, has any effect on net position.

Bond Issuance - Series 2025 (5,500,000)

Developer Advance (5,396,123)

Repay Developer Advance 5,328,000

Forgiveness of Developer Advances 46,880

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds (40,944)

Accrued Interest on Developer Advances (2,319)

Change in Net Position of Governmental Activities \$ (178,249)

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 8,307	\$ 8,307	\$ -
Specific Ownership Taxes	498	337	(161)
Net Investment Income	-	143	143
Total Revenues	<u>8,805</u>	<u>8,787</u>	<u>(18)</u>
EXPENDITURES			
General and Administration:			
Accounting and Legal Fees	24,000	19,158	4,842
Administrative	2,500	-	2,500
Capital Outlay	10,000	-	10,000
Contract Services	10,000	-	10,000
County Treasurer's Fees	100	125	(25)
Insurance and SDA Membership	750	2,399	(1,649)
Total Expenditures	<u>47,350</u>	<u>21,682</u>	<u>25,668</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,545)	(12,895)	25,650
OTHER FINANCING SOURCES (USES)			
Developer Advances	40,000	21,242	(18,758)
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>21,242</u>	<u>(18,758)</u>
NET CHANGE IN FUND BALANCE	1,455	8,347	6,892
Fund Balance - Beginning of Year	<u>-</u>	<u>1,545</u>	<u>1,545</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,455</u>	<u>\$ 9,892</u>	<u>\$ 8,437</u>

See accompanying Notes to Basic Financial Statements.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 DEFINITION OF REPORTING ENTITY

Cottonwood Townhomes Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for the County of Weld, Colorado, on December 14, 2022, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the city of Fort Lupton, Colorado, (City) on August 2, 2022.

At a special election of the eligible electors of the District held on November 8, 2022, a majority of those qualified to vote voted in favor of certain ballot questions authorizing the issuance of indebtedness and imposition of taxes for the payment thereof, for the purpose of providing financing for the acquisition, construction, installation, and completion of certain public improvements.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction and completion of public improvements and services, including street, park and recreation, water, sanitation, transportation, mosquito control, safety protection, television relay and translation and security improvements and services.

The District was also established to provide the Public Improvements necessary to serve the Cottonwood Townhomes development. The District is intended to provide ongoing services which may include Covenant Enforcement and Design Review Services and ownership and maintenance of parks, open space, trails, structures and common areas.

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 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 operations and administrative functions are contracted.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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 as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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, operations fees, and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

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

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 total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2025.

Pooled Cash and Investments

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

Property Taxes

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

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process, and are not included in the calculation of investment in capital assets component of the District's net position.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Landscaping	20 Years
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Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period 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. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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:

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

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

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$	8,362
Cash and Investments - Restricted		3,330
Total Cash and Investments	<u>\$</u>	<u>11,692</u>

Cash and investments as of December 31, 2025, consist of the following:

Investments	\$	11,692
Total Cash and Investments	<u>\$</u>	<u>11,692</u>

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

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

At December 31, 2025, the District's cash deposits had a bank and carrying balance of \$8,362.

Investments

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

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

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

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

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

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2025, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund	Weighted-Average	
Trust (CSAFE)	Under 60 Days	\$ 8,662
Invesco Treasury Portfolio (Fund #1932)	Weighted-Average	
	Under 60 Days	3,030
		<u>\$ 11,692</u>

CSAFE

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

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

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

A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAaf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Invesco Treasury Portfolio Fund (Fund #1932)

At December 31, 2025, all of District's funds held in trust accounts at BOK Financial Corporation were invested in the Invesco Treasury Portfolio Fund (Fund #1932). This portfolio is managed by Invesco Ltd., and each share is designed to maintain a stable net asset value of \$1.00. The fund is rated AAAM by S&P Global Ratings and Aaa-mf by Moody's Investors Service. The investment objective of the fund is to seek to maximize current income consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high-quality money market instruments, consisting primarily of U.S. Treasury securities and securities issued or guaranteed by the U.S. government, including Treasury bills, notes, bonds, and repurchase agreements. The weighted average maturity of the underlying portfolio is 60 days or less. The fund values its investments using the amortized cost method, and accordingly, the District records its investment in the fund at amortized cost. There are no unfunded commitments related to this investment. The fund offers daily liquidity with a redemption frequency of daily and does not require a redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025, follows:

	Balance - December 31, 2024	Increases	Decreases	Balance - December 31, 2025
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 5,374,880	\$ -	\$ 5,374,880
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 5,374,880</u>	<u>\$ -</u>	<u>\$ 5,374,880</u>

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2025:

	Balance - December 31, 2024	Additions	Reductions	Balance - December 31, 2025	Due Within One Year
<u>Governmental Activities:</u>					
Bonds Payable:					
General Obligation Bonds					
Payable:					
Series 2025	\$ -	\$ 5,500,000	\$ -	\$ 5,500,000	\$ -
Accrued Interest on Series 2025	-	40,944	-	40,944	-
Subtotal of Bonds Payable	-	5,540,944	-	5,540,944	-
Other Debts:					
Developer Advance - Operations	24,502	21,242	-	45,744	-
Developer Advance - Capital	-	5,374,880	5,374,880	-	-
Interest on Developer					
Advances - Operations	1,937	2,320	-	4,257	-
Subtotal of Other Debts	26,439	5,398,442	5,374,880	50,001	-
Total Long-Term Obligations	\$ 26,439	\$ 10,939,386	\$ 5,374,880	\$ 5,590,945	\$ -

The details of the District's long-term obligations are as follows:

General Obligation Limited Tax Bonds, Series 2025 (the Bonds)

Bond Proceeds

The District issued the Bonds on September 22, 2025, in the amount of \$5,500,000. The Bonds were issued for the purposes of (a) funding and reimbursing a portion of the costs of constructing and installing certain Public Improvements benefiting the District; and (b) paying the costs of issuance of the Bonds.

Bond Details

The Bonds bear interest at the rate of 4.000% per annum and are payable annually on December 1, beginning on December 1, 2026, but only to the extent of available Pledged Revenue. The Bonds mature on December 1, 2061 and are subject to mandatory redemption to the extent of available Pledged Revenue. The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. To the extent principal of the Bonds is not paid when due, such principal shall remain outstanding until paid, subject to discharge on September 24, 2065. The Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on September 24, 2065. The Bonds are not subject to early termination. The Bonds are not subject to acceleration. The Bonds do not have any unused lines of credit. No assets have been pledged as collateral on the Bonds.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Events of Default of the Bonds

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

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2030, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2030, through November 30, 2031	3.00%
December 1, 2031, through November 30, 2032	2.00%
December 1, 2032, through November 30, 2033	1.00%
December 1, 2033, and thereafter	0.00%

Pledged Revenue

The Bonds are payable solely from and to the extent of the Pledged Revenue, consisting generally of the moneys derived by the District from the following sources, net of any costs of collection of the County and any property tax refunds or abatements authorized by or on behalf of the County: all Required Mill Levy; the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Required Mill Levy

The District is required to impose an ad valorem mill levy upon all taxable property of the District each year in the amount of 55.277 mills (subject to adjustment for changes occurring after January 1, 2019, in the method of calculating assessed valuation), or such lesser mill levy which will fund the Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bond in full. The Required Mill Levy is net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

Debt Service Requirements

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

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 8, 2022, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$72,648,000.

At December 31, 2025, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized November 8, 2022	Authorization Used - Series 2025 Bonds	Authorized But Unissued
Public Improvements	\$ 54,486,000	\$ 5,500,000	\$ 48,986,000
Operations and Maintenance	6,054,000	-	6,054,000
Refundings	6,054,000	-	6,054,000
Intergovernmental Agreements	6,054,000	-	6,054,000
Total	\$ 72,648,000	\$ 5,500,000	\$ 67,148,000

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$6,054,000.

NOTE 6 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Capital Assets, Net	\$ 72,917
Outstanding Long-Term Debt Applicable to Capital Assets	(74,614)
Net Investment in Capital Assets	\$ (1,697)

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 6 NET POSITION (CONTINUED)

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2025, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserve	\$ 300
Debt Service	3,030
Total Restricted Net Position	\$ 3,330

The District has a deficit in unrestricted net position. This amount is a result of the District being responsible for the financing and repayment of debt obligations for the construction of public improvements intended to be conveyed to other governmental entities.

NOTE 7 RELATED PARTIES

The property within the District is being developed by Cottonwood Development Partners, LLC. (Developer). During 2025, all of the members of the Board of Directors were officers or employees of, or otherwise associated with the Developer, or LGI Homes, Inc. a homebuilder within the District’s boundaries, and may have conflicts of interest in matters involving the District.

Infrastructure Acquisition Agreement

The District and the Developer entered into an Infrastructure Acquisition Agreement on September 19, 2025. Pursuant to the Agreement, the District and the Developer acknowledge that the District is authorized to construct, acquire and install public improvements and other facilities and services that benefit the Property, subject to the limitations set forth in the Service Plan and the Special District Act.

Under the terms of the Agreement, the District agrees to reimburse the developer for eligible costs incurred in connection with the construction of the Public Improvements, subject to the terms and limitations set forth in the Agreement, including but not limited to:

- Certification of costs by an independent engineer as reasonable and eligible for reimbursement;
- Availability of legally available funds of the District; and
- Compliance with the District’s Service Plan and applicable statutory limitations, including debt authorization limits.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 7 RELATED PARTIES (CONTINUED)

Infrastructure Acquisition Agreement (Continued)

On September 19, 2025, an independent engineer certified approximately \$5,374,880 of eligible public improvement costs. Such costs represent the value of completed Public Improvements that were accepted by the District. Of that \$5,328,000 was reimbursed through the issuance of the Series 2025 Bonds (See pages 16 and 17), and the remaining amount of \$46,880 was forgiven by the Developer.

The District's obligation to reimburse the developer is not an unconditional obligation and is subject to annual appropriation and the availability of funds. The Agreement does not constitute a multiple-fiscal year financial obligation or indebtedness of the District within the meaning of Colorado law. Future reimbursements, if any, are expected to be made from legally available revenues of the District, which may include proceeds of future debt issuances, if and when authorized and issued, and/or other available sources.

As of December 31, 2025, no advances are outstanding under this agreement.

Advance and Reimbursement Agreement For Operation and Maintenance Costs

The District and the Developer entered into an Operating Reimbursement Agreement on April 5, 2023, for the purpose of funding operations and maintenance costs. The Developer agreed to loan to the District one or more sums of money.

Under the terms of the Agreement, the Developer may advance funds to or on behalf of the District to pay for operations and maintenance costs, including administrative, legal, accounting, engineering, and management expenses.

Advances made by the Developer accrue interest at a rate of 7.0% per annum (non-compounding) from the date of each advance (or from January 3, 2023 for advances made prior to District formation).

The District agrees to reimburse the Developer for such advances and accrued interest, subject to the following provisions:

- Reimbursement is subject to annual appropriation and budget approval by the District;
- Payments are made only from legally available funds of the District;
- The obligation is not a multiple-fiscal year financial obligation and does not constitute bonded indebtedness under Colorado law; and
- The reimbursement obligation is subordinate to any existing or future bonded indebtedness of the District.

Payments made by the District are applied first to accrued interest and then to outstanding principle in chronological order.

As of December 31, 2025, outstanding advances under this Agreement totaled \$45,744 and accrued interest totaled \$4,257.

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 8 RISK MANAGEMENT

The District may be 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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 8, 2022, the District voters passed an election question to increase property taxes \$2,500,000 annually as adjusted for inflation, without limitation of rate, to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue without regard to any limitations under TABOR. On November 4, 2025, the District voters passed an election question to waive the 5.25% property tax limit established in section 29-1-1702 of the Colorado Revised Statutes for 2026 and all future years.

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Total Expenditures	-	-	-
	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Net Investment Income	\$ -	\$ 30	\$ 30	\$ -
Other Revenue	-	128,120	-	(128,120)
Total Revenues	-	128,150	30	(128,120)
EXPENDITURES				
Bond Issue Costs	-	169,000	169,000	-
Capital Outlay	-	5,374,880	5,374,880	-
Other Expense	-	128,120	-	128,120
Total Expenditures	-	5,672,000	5,543,880	128,120
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	-	(5,543,850)	(5,543,850)	-
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	5,374,880	5,374,880	-
Bond Issuance - Series 2025	-	5,500,000	5,500,000	-
Repay Developer Advance	-	(5,328,000)	(5,328,000)	-
Total Other Financing Sources (Uses)	-	5,546,880	5,546,880	-
NET CHANGE IN FUND BALANCE	-	3,030	3,030	-
Fund Balance - Beginning of Year	-	-	-	-

OTHER INFORMATION

**COTTONWOOD TOWNHOMES METROPOLITAN DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 (UNAUDITED)
 YEAR ENDED DECEMBER 31, 2025**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied for		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2024/2025	\$ 133,580	62.187	0.000	\$ 8,307	\$ 8,307	100.00%
Estimated 2025/2026	\$ 908,520	16.961	63.679	\$ 73,263		