COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2

2025 ANNUAL REPORT

TOTHE TOWN OF PARKER

Pursuant to §32-1-207(3)(c), C.R.S., Section 10.11.040 of the Town Code, and Section VII of the Service Plan for Cottonwood Highlands Metropolitan District No. 2 (the "**District**"), the District is required to provide an annual report to the Town of Parker with regard to the following matters:

For the year ending December 31, 2025, the District makes the following report:

§32-1-207(3), C.R.S. Statutory Requirements

1. **Boundary changes made.**

   The District's boundaries were amended in 2025 to include Lots 1 and 2, Compark Village Filing No. 7, Amendment No. 4, Douglas County, Colorado, pursuant to an Order for Inclusion entered by the District Court, Douglas County, Colorado (Case No. 2014CV31030) on April 17, 2025, and recorded with the Douglas County Clerk and Recorder on April 28, 2025 (Ref. No. 2025019317).

2. **Intergovernmental agreements entered into or terminated with other governmental entities.**

   The District did not enter into or terminate any intergovernmental agreements with other governmental entities in 2025.

3. **Access information to obtain a copy of rules and regulations adopted by the board.**

   As of December 31, 2025, the District had not adopted any rules and regulations.

4. **A summary of litigation involving public improvements owned by the District.**

   To our actual knowledge, based on review of the court records in Douglas County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District's public improvements as of December 31, 2025.

5. **The status of the construction of public improvements by the District.**

   The developer started public improvement construction for the commercial development within the District in 2025. The costs of the improvements will be certified by an independent engineer for approval and reimbursement by the District.

6. **A list of facilities or improvements constructed by the District that were conveyed or dedicated to the county or municipality.**

No public improvements were constructed, dedicated or conveyed to the Town in 2025 by the District. Developer is actively undertaking improvement construction and dedicating improvements to the Town and District as appropriate.

7. The final assessed valuation of the District as of December 31st of the reporting year.

The 2025 final assessed valuation as certified by the Douglas County Assessor for the District is $5,048,530.

8. A copy of the current year's budget.

A copy of the 2026 Budget is attached hereto as ***Exhibit A****.*

9. A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.

A copy of the 2025 Audit is attached hereto as ***Exhibit B.***

10. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the District.

There were no uncured events of default that continued beyond a ninety (90) day period, under any Debt instrument.

11. Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a ninety (90) day period.

The District did not experience any inability to pay its obligations as they came due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.

Service Plan Requirements

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

See Sections 5 and 6 above.

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

The District approved independent engineer certified public improvement construction costs in 2025 and issued its initial debt via its $1,485,000 Geneal Obligation Loan, Series 2025. The District expects that additional public imporvement costs will be certified to the District in 2026 and another series of debt will be issued in 2026 or 2027. Public infrastructure construction began in 2025 and is expected to be completed by the developer by the end of 2026.

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

    The District issued bonded Debt via its $1,485,000 Geneal Obligation Loan, Series 2025.

    The District's 2025 mill levy pledged to Debt retirement: 7.532 (for bonded debt service and repayment of contractual developer capital improvement reimbursement)

    The District's total 2025 assessed valuation: $4,954,290.

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

    The District is a commercial only district. No commercial development occurred in 2025.

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

    None.

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

    *Attached as **Exhibit C** is the certification given on behalf of Board of Directors that no action, event or condition enumerated in Section 10.11.060 occurred in 2025.*

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

    At the time of submission of this annual report:

    Scott Carlson, President (land owner/original developer)

    Kent Carlson, Vice President/Assistant Secretary (land owner/ developer)

Clay Carlson, Secretary/Treasurer (land owner/original developer)

Michael Vickers, Assistant Secretary (land owner/developer)

Josh Suter, Director (land owner)

General Counsel: WBA, PC, 2154 E. Commons Avenue, Suite 2000, Centennial, CO 80122, (303) 858-1800.

Regular meetings are scheduled for March 25, June 24, September 23, and December 2, 2026 at 10:00 a.m., via Zoom Teleconference.

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

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

EXHIBIT A
2026 Budget

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2026

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
SUMMARY
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/10/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	$ 53,151	$ 91,295	$ 199,127
REVENUES			
Property taxes	64,797	64,246	143,739
Specific ownership taxes	4,854	5,355	10,781
Interest Income	53	1,231	8,000
Developer advance	-	1,575,731	27,087
Other Revenue	887	-	-
Loan issuance proceeds	-	1,485,000	-
Total revenues	70,591	3,131,563	189,607
TRANSFERS IN	-	1,190,000	-
Total funds available	123,742	4,412,858	388,734
EXPENDITURES			
General Fund	31,961	61,000	67,000
Debt Service Fund	486	197,000	80,000
Capital Projects Fund	-	2,765,731	-
Total expenditures	32,447	3,023,731	147,000
TRANSFERS OUT	-	1,190,000	-
Total expenditures and transfers out requiring appropriation	32,447	4,213,731	147,000
ENDING FUND BALANCES	$ 91,295	$ 199,127	$ 241,734
EMERGENCY RESERVE	$ 1,100	$ 1,100	$ 1,300
DEBT SERVICE RESERVE	-	148,500	148,500
TOTAL RESERVE	$ 1,100	$ 149,600	$ 149,800

See summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/10/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
ASSESSED VALUATION			
Commercial	$ 716,520	$ 716,520	$ 1,031,730
Vacant land	2,140,440	2,140,430	3,532,190
Personal property	382,890	355,370	390,350
Natural resources	20	20	20
Certified Assessed Value	$ 3,239,870	$ 3,212,340	$ 4,954,290
MILL LEVY			
General	10.000	10.000	7.532
Debt Service	10.000	10.000	21.481
Total mill levy	20.000	20.000	29.013
PROPERTY TAXES			
General	$ 32,399	$ 32,123	$ 37,316
Debt Service	32,399	32,123	106,423
Budgeted property taxes	$ 64,798	$ 64,246	$ 143,739
BUDGETED PROPERTY TAXES			
General	**$ 32,399**	**$ 32,123**	**$ 37,316**
Debt Service	**32,399**	**32,123**	**106,423**
	$ 64,799	**$ 64,246**	**$ 143,739**

See summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/10/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	$ 22,164	$ 25,942	$ 1,100
REVENUES			
Property taxes	32,399	32,123	37,316
Specific ownership taxes	2,427	2,891	2,799
Interest Income	26	1,144	-
Developer advance	-	-	27,087
Other Revenue	887	-	-
Total revenues	35,739	36,158	67,202
Total funds available	57,903	62,100	68,302
EXPENDITURES			
General and administrative			
Accounting	11,347	19,000	20,000
Auditing	-	-	10,000
County Treasurer's Fee	500	483	560
Dues and Membership	276	412	500
Insurance	2,536	2,636	3,200
Legal	16,934	27,000	20,000
Election	118	2,393	-
Contingency	-	7,576	740
Website	250	1,500	2,000
Operations and maintenance			
Pond Maintenance	-	-	10,000
Total expenditures	31,961	61,000	67,000
Total expenditures and transfers out requiring appropriation	31,961	61,000	67,000
ENDING FUND BALANCES	$ 25,942	$ 1,100	$ 1,302
EMERGENCY RESERVE	$ 1,100	$ 1,100	$ 1,300
TOTAL RESERVE	$ 1,100	$ 1,100	$ 1,300

See summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/10/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	$ 30,987	$ 65,353	$ 198,027
REVENUES			
Property taxes	32,398	32,123	106,423
Specific ownership taxes	2,427	2,464	7,982
Interest Income	27	87	8,000
Loan issuance proceeds	-	1,485,000	-
Total revenues	34,852	1,519,674	122,405
Total funds available	65,839	1,585,027	320,432
EXPENDITURES			
General and administrative			
County Treasurer's Fee	486	483	1,596
Contingency	-	51,817	8,601
Debt Service			
Bond interest	-	-	69,803
Bond issue costs	-	144,700	-
Total expenditures	486	197,000	80,000
TRANSFERS OUT			
Transfers to other fund	-	1,190,000	-
Total expenditures and transfers out requiring appropriation	486	1,387,000	80,000
ENDING FUND BALANCES	$ 65,353	$ 198,027	$ 240,432
DEBT SERVICE RESERVE	$ -	$ 148,500	$ 148,500
TOTAL RESERVE	$ -	$ 148,500	$ 148,500

See summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/10/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	$ -	$ -	$ -
REVENUES			
Developer advance	-	1,575,731	-
Total revenues	-	1,575,731	-
TRANSFERS IN			
Transfers from other funds	-	1,190,000	-
Total funds available	-	2,765,731	-
EXPENDITURES			
Capital Projects			
Repay developer advance	-	1,190,000	-
Capital outlay	-	1,575,731	-
Total expenditures	-	2,765,731	-
Total expenditures and transfers out requiring appropriation	-	2,765,731	-
ENDING FUND BALANCES	$ -	$ -	$ -

See summary of significant assumptions.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for Douglas County on October 6, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town of Parker. The District's service area is located in the Town of Parker.

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

On November 4, 2014, the District's voters authorized total indebtedness of $200,000,000 for the above listed facilities. The District's voters also authorized total indebtedness of $30,000,000 each for debt refunding and debt related to intergovernmental agreements or other contracts with other public entities. The election also approved an annual increase in property taxes of $5,000,000 without limitation of rate, to pay the District's operation and maintenance costs.

Pursuant to the Consolidated Service Plan for Cottonwood Highlands Metropolitan District No. 1 and No. 2, the District is permitted to issue bond indebtedness not to exceed $30,000,000 combined for both Districts. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this budget, the amount and timing of any debt issuances is not determinable.

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

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

Revenues

Property Taxes

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

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

Revenues (continued)

Property Taxes (continued)

For property tax collection year 2026, HB24B-1001 set the assessment rates as follows:

Category	Rate		Category	Rate
Single-Family Residential	6.25%		Agricultural Land	27.00%
Multi-Family Residential	6.25%		Renewable Energy Land	27.00%
Commercial	27.00%		Vacant Land	27.00%
Industrial	27.00%		Personal Property	27.00%
Lodging	27.00%		State Assessed	27.00%
			Oil & Gas Production	87.50%

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 7.5% of the property taxes collected.

Developer Advance

The District is in the development stage. As such major portion of the capital expenditures are expected to be funded by the Developer. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer from bond proceeds and other legally available revenue.

Expenditures

Administrative and Operating Expenditures

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

County Treasurer's Fees

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

Operating and Capital Leases

The District has no operating or capital leases.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases

On December 4, 2025, the District entered into a Loan Agreement with BOK Financial Public Finance, Inc. to obtain a loan in the amount $1,485,000 (Loan). The maturity date of the Loan is December 1, 2035, with an interest rate of 4.740%. Interest is paid semiannually on June 1 and December 1. The proceeds from the Loan were used to fund (a) a portion of the costs of acquiring, constructing, and/or installing public infrastructure within the District, (b) the Reserve Fund and (c) the costs of issuing the Bonds.

The following is an analysis of anticipated changes in long-term obligations for the year ending December 31, 2026:

	Balance - December 31, 2024	Additions	Retirements	Balance - December 31, 2026
General Obligations Loan - Series 2025				
Interest	$ -	$ 69,803	$ -	$ 69,803
Developer Advance - Principal	-	309,806	-	309,806
Developer Advance - Interest	-	24,954	-	24,954
Total	$ -	$ 404,563	$ -	$ 404,563

Reserves

Emergency Reserve

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2026, as defined under TABOR.

This information is an integral part of the accompanying budget.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ESTIMATED DEBT SERVICE REQUIREMENTS TO MATURITY

$1,485,000
General Obligation Loan, Series 2025
Dated April 24, 2025
Principal Due December 1
4.740 % Interest Payable June 1 and December 1

Year Ended December 31,	Principal	Interest	Total
2026	$ -	$ 69,802	$ 69,802
2027	35,000	70,389	105,389
2028	35,000	68,730	103,730
2029	40,000	67,071	107,071
2030	40,000	65,175	105,175
2031	40,000	63,279	103,279
2032	45,000	61,383	106,383
2033	45,000	59,250	104,250
2034	45,000	57,117	102,117
2035	1,160,000	54,984	1,214,984
	$ 1,485,000	$ 637,180	$ 2,122,180

See summary of significant assumptions.

EXHIBIT B
2025 Audit

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
Douglas County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

FISCAL FOCUS PARTNERS LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cottonwood Highlands Metropolitan District No. 2
Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Cottonwood Highlands Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2025, 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 the District as of December 31, 2025, and the respective changes in financial position thereof, and the respective budgetary comparisons 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.

Fiscal Focus Partners, LLC

PO Box 740339, Arvada, CO 80006
303.202.1800 Office www.ffpcpa.com

Auditor's Responsibility 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to 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 and Other 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 supplementary and other information (together, the information) as identified in the table of contents is presented for the purposes of additional analysis and legal compliance 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Arvada, Colorado
July 13, 2026

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
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INSERT INDEPENDENT AUDITOR'S REPORT

BASIC FINANCIAL STATEMENTS

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2025

ASSETS	
Cash and Investments	$ 21,405
Cash and Investments - Restricted	249,250
Receivable from County Treasurer	413
Property Tax Receivable	143,739
Capital Assets:	
Capital Assets Not Being Depreciated	1,525,731
Total Assets	1,940,538
LIABILITIES	
Accounts Payable	14,604
Accrued Interest	5,817
Noncurrent Liabilities:	
Due in More Than One Year	1,796,525
Total Liabilities	1,816,946
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	143,739
Total Deferred Inflows of Resources	143,739
NET POSITION	
Restricted for:	
Debt Service	94,039
Emergency Reserves	1,100
Unrestricted	(115,286)
Total Net Position	$ (20,147)

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenue (Expense) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Government Activities:					
General Government	$ 53,000	$ -	$ -	$ -	$ (53,000)
Interest and Related Costs on Long-Term Debt	128,111	-	-	-	(128,111)
Total Governmental Activities	$ 181,111	$ -	$ -	$ -	(181,111)
GENERAL REVENUES					
Property Taxes					64,246
Specific Ownership Taxes					4,946
Interest Income					476
Total General Revenues					69,668
CHANGE IN NET POSITION					(111,443)
Net Position - Beginning of Year					91,296
NET POSITION - END OF YEAR					$ (20,147)

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	$ 21,405	$ -	$ -	$ 21,405
Cash and Investments - Restricted	1,100	248,150	-	249,250
Receivable from County Treasurer	207	206	-	413
Property Tax Receivable	37,316	106,423	-	143,739
Total Assets	$ 60,028	$ 354,779	$ -	$ 414,807
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 14,604	$ -	$ -	$ 14,604
Total Liabilities	14,604	-	-	14,604
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	37,316	106,423	-	143,739
Total Deferred Inflows of Resources	37,316	106,423	-	143,739
FUND BALANCES				
Restricted for:				
Emergency Reserves	1,100	-	-	1,100
Debt Service	-	248,356	-	248,356
Unassigned	7,008	-	-	7,008
Total Fund Balances	8,108	248,356	-	256,464
Total Liabilities and Fund Balances	$ 60,028	$ 354,779	$ -	

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.	1,525,731
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in in the funds.	
Loan Payable	(1,485,000)
Developer Advance Payable	(309,806)
Accrued Interest Payable - Developer Advance	(1,719)
Accrued Interest Payable - Loan	(5,817)
Net Position of Governmental Activities	$ (20,147)

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	$ 32,123	$ 32,123	$ -	$ 64,246
Specific Ownership Taxes	2,473	2,473	-	4,946
Interest Income	86	390	-	476
Total Revenues	34,682	34,986	-	69,668
EXPENDITURES				
General and Administration:				
Accounting	18,876	-	-	18,876
Dues and Membership	412	-	-	412
County Treasurer's Fee	483	483	-	966
Legal	26,307	-	-	26,307
Election Costs	2,393	-	-	2,393
Insurance and Bonds	2,636	-	-	2,636
Website	1,410	-	-	1,410
Debt Service:				
Loan Issue Cost	-	120,575	-	120,575
Capital Outlay:				
Capital Outlay	-	-	1,525,731	1,525,731
Total Expenditures	52,517	121,058	1,525,731	1,699,306
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,835)	(86,072)	(1,525,731)	(1,629,638)
OTHER FINANCING SOURCES (USES)				
Loan Issuance Proceeds	-	1,485,000	-	1,485,000
Developer Advance	-	-	1,525,731	1,525,731
Repay Developer Advance	-	-	(1,215,925)	(1,215,925)
Transfers (to) from Other Fund	-	(1,215,925)	1,215,925	-
Total Other Financing Sources (Uses)	-	269,075	1,525,731	1,794,806
NET CHANGE IN FUND BALANCES	(17,835)	183,003	-	165,168
Fund Balances - Beginning of Year	25,943	65,353	-	91,296
FUND BALANCES - END OF YEAR	$ 8,108	$ 248,356	$ -	$ 256,464

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
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	$ 165,168
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. 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.	
Capital Outlay	1,525,731
The issuance of long-term debt (e.g., bonds, Developer advances) 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.	
Loan Issuance	(1,485,000)
Developer Advances	(1,525,731)
Repayment of Developer Advances	1,215,925
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefor, are not reported as expenditures in governmental funds.	
Accrued Interest Payable - Change in Liability	(5,817)
Accrued Interest on Developer Advances	(1,719)
Changes in Net Position of Governmental Activities	$ (111,443)

See accompanying Notes to Basic Financial Statements.

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amount	(Negative)
REVENUES				
Property Taxes	$ 32,123	$ 32,123	$ 32,123	$ -
Specific Ownership Taxes	2,891	2,891	2,473	(418)
Interest Income	-	86	86	-
Total Revenues	35,014	35,100	34,682	(418)
EXPENDITURES				
General and Administration:				
Accounting	19,000	19,000	18,876	124
County Treasurer's Fee	482	482	483	(1)
Dues and Membership	350	350	412	(62)
Insurance and Bonds	3,200	3,200	2,636	564
Legal	20,000	24,468	26,307	(1,839)
Election Costs	2,500	2,500	2,393	107
Website	1,000	1,000	1,410	(410)
Contingency	2,968	-	-	-
Operations and Maintenance:				
Pond Maintenance	10,000	10,000	-	10,000
Total Expenditures	59,500	61,000	52,517	8,483
NET CHANGE IN FUND BALANCE	(24,486)	(25,900)	(17,835)	8,065
Fund Balance - Beginning of Year	25,928	25,943	25,943	-
FUND BALANCE - END OF YEAR	$ 1,442	$ 43	$ 8,108	$ 8,065

NOTE 1 DEFINITION OF REPORTING ENTITY

Cottonwood Highlands Metropolitan District No. 2 (the District), a quasi-municipal corporation, and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for Douglas County on October 6, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town of Parker. The District's service area is located in the Town of Parker.

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

The District was formed in conjunction with Cottonwood Highlands Metropolitan District No. 1 (District No. 1), collectively with the District, the Districts. The service plan intends that the Districts will provide part or all of the public improvements for the use and benefit of the Districts' inhabitants and taxpayers. The primary purpose of the Districts is to finance the construction of the public improvements. The Districts will provide limited ongoing operations and maintenance. The Service Plan provides for the Districts to issue debt based on what the Districts can repay from revenues derived from a residential mill levy and a commercial mill levy where the District is the Commercial District and District No. 1 is the Residential District.

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (continued)

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 and the sum of liabilities and deferred inflows 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. 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.

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, interest, and other related costs on long-term general obligation debt.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 and other financing uses 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.

The District has 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 always 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. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenue is recorded as revenue in the year they are available or collected.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted.

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:

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.

Fund Balance (continued)

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 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures (Statement 102)*. Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

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	$	21,405
Cash and Investments - Restricted		249,250
Total Cash and Investments	$	270,655

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

Deposits with Financial Institutions	$	270,655
Total Cash and Investments	$	270,655

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 $121,851 in its checking account.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (continued)

	Maturity	Amount
Certificate of Deposit	12/4/2026	$ 148,804
Total		$ 148,804

The District invested in a 12-month Certificate of Deposit at BOK Financial at an interest rate of 2.75% with maturity date of December 4, 2026. Interest is paid quarterly and redeposited.

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 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

As of December 31, 2025, the District did not have any investments.

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
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	$ -	$ 1,525,731	$ -	$ 1,525,731
Total Capital Assets, Not Being Depreciated	-	1,525,731	-	1,525,731

It is the District's plans to dedicate certain public improvements to the Town upon completion of construction, installation and applicable warranty period.

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Notes/Loans/ Bonds from Direct Borrowings:					
Series 2025 Loan Payable	$ -	$ 1,485,000	$ -	$ 1,485,000	$ -
Subtotal Notes/Loans/Bonds from Direct Borrowings	-	1,485,000	-	1,485,000	-
Other Debts:					
Developer Advances	-	1,525,731	1,215,925	309,806	-
Interest on Developer Advances	-	1,719	-	1,719	-
Subtotal Other Debts	-	1,527,450	1,215,925	311,525	-
Total Long-Term Obligations	$ -	$ 3,012,450	$ 1,215,925	$ 1,796,525	$ -

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

General Obligation Loan, Series 2025

Loan Proceeds

On December 4, 2025, the District entered into a Loan Agreement with BOK Financial Public Finance, Inc. to obtain a loan in the amount $1,485,000 (Loan). The maturity date of the Loan is December 1, 2035, with an interest rate of 4.74% until a Determination of Taxability. If a Determination of Taxability as defined in The Loan Agreement occurs, the base interest will be increased to 6%. Interest is paid semiannually on June 1 and December 1 commencing June 1, 2026. Interest not paid when due does not compound. Principal payments are due December 1 of each year, commencing December 1, 2027. With respect to the calculation of annual debt requirements for the year ending December 31, 2035, the principal coming due on the loan shall be assumed to be equal to $50,000 if the District provides a complete and executed refinancing certificate to the lender prior to the District's certification of the Required Mill Levy for collection in 2035.The proceeds from the Loan were used to fund (a) a portion of the costs of acquiring, constructing, and/or installing public infrastructure within the District, (b) the Reserve Fund and (c) the costs of issuing the Loan.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Pledged Revenue

The Loan is secured by and payable from Pledged Revenue consisting of the following revenues, net of any costs of collection: (a) all Property Tax Revenues derived from the Required Mill Levy; (b) all Specific Ownership Tax Revenues attributable to the Required Mill Levy; and (c) any other legally available moneys that the District's Board elects, in its discretion, to apply as pledged revenue. The principal and interest on the Loan are payable solely from pledged Revenue. The Loan constitutes an irrevocable lien upon the Pledged Revenue but not necessarily an exclusive lien. The Pledged Revenue may not be subject to any other lien or encumbrance senior to the lien of the lender without prior written consent.

Required Mill Levy

The District is covenanted to impose a Required Mill Levy each year in an amount which, if imposed by the District, would generate Property Tax Revenues sufficient when combined with moneys held in the Loan Payment Account to fully cover the annual debt requirements for the next fiscal year and replenish the reserve account to the Reserve Account Requirement on the Loan.

Unused Lines of Credit

The Loan does not have any unused lines of credit.

Collateral

No assets have been pledged as collateral on the Loan. The District is required to maintain a Reserve Account in the amount of $148,500.

Events of Default

Events of default occur if the District: (a) fails to pay principal and interest when due, (b) fails to impose the Required Mill Levy, (c) fails to reasonably cooperate with the Lender to verify its remittance of pledged revenue and (d) other events enumerated in the Loan agreement that are customary and consistent with Loans of this nature. Upon occurrence of a material event of default, the Loan will bear interest rate at the default rate of 6.74%. The Lender may take other actions and exercise any other remedy available in the Loan, but acceleration shall not be an available remedy.

Termination Events

The Loan does not have a termination provision.

Acceleration

Optional Prepayment; Prepayment Fee. At the District's option, on or after the Closing Date, the District may prepay in Authorized Denominations any part of the principal of the Loan on any Business Day upon payment to the Lender of the principal amount so prepaid, accrued interest thereon to the prepayment date, and, if such prepayment occurs prior to December 1, 2030, a Yield Maintenance Fee, defined and calculated as described in the following paragraph.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Acceleration (continued)

"Yield Maintenance Fee" means, with respect to any proposed prepayment of the Loan, the sum of the present value (discounted at the Remaining Term Swap Rate, as defined below) of (i) the remaining scheduled interest payments to be paid on the Unscheduled Principal Reduction (as defined below) through the Maturity Date, less (ii) the interest payments that would be collected on a new loan of the same amount as the Unscheduled Principal Reduction (as defined below) through the Maturity Date at the New Fixed Rate (as defined below). The following capitalized terms shall have the meanings assigned below for purposes of calculating any Yield Maintenance Fee.

- "Current Fixed Rate" means the fixed rate of interest upon which the Note's interest payments are calculated as of the Business Day preceding any Unscheduled Principal Reduction.
- "Fixing Date" means the origination date of the Loan, December 4, 2025.
- "New Fixed Rate" means the rate equal to the sum of (A) the Remaining Term Swap Rate, plus (B) the Original Spread.
- "Original Spread" means the resulting difference when (A) the Original Term Swap Rate is subtracted from (B) the Current Fixed Rate.
- "Original Term Swap Rate" means USD SOFR par swap rate (or interpolated rate), as determined by the Lender in its sole and absolute discretion, as of the Fixing Date with a term matching the original term of the Loan.
- "Remaining Term Swap Rate" means USD SOFR par swap rate (or interpolated rate), as determined by the Lender in its sole and absolute discretion, for the term matching the time remaining to the Maturity Date on the Business Day preceding the Unscheduled Principal Reduction.
- "Scheduled Principal Balance" means for any period(s) the projected outstanding principal balance of the Loan for the remainder of its term (i.e., to the Maturity Date) that may be determined using the description of the funding and payment obligations of the District contained herein.
- "Unscheduled Principal Reduction" means any reduction, for any reason at any time, in the Scheduled Principal Balance of the Note (including any optional prepayment in accordance with Section 2.02(c) hereof).

Notwithstanding the foregoing, in determining the Yield Maintenance Fee, the Original Term Swap Rate and the Remaining Term Swap Rate will be reduced on the basis of the following equation: such swap rate multiplied by the difference of 1 minus the then highest marginal tax rate applicable to corporations for federal income tax purposes.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Loan Debt Service

The outstanding principal and interest of the Loan are due as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ 69,802	$ 69,802
2027	35,000	70,389	105,389
2028	35,000	68,730	103,730
2029	40,000	67,071	107,071
2030	40,000	65,175	105,175
2031-2035	1,335,000	296,013	1,631,013
Total	$ 1,485,000	$ 637,180	$ 2,122,180

Developer Advances

See description of terms of Developer Advances in Note 9 – Agreements, Pubic Infrastructure Acquisition and Reimbursement Agreement.

NOTE 6 AUTHORIZED DEBT

At a special election of the eligible electors of the District on November 14, 2014, 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 certain improvements and facilities such as streets, parks and recreation, water, sanitation, transportation, mosquito control, traffic and safety, fire protection, TV relay and security, and for the purpose of refunding such indebtedness in the amount of $330,000,000. At December 31, 2025, the District had authorized but unissued indebtedness in the amount of $328,515,000.

Pursuant to the Service Plan, the Districts are permitted to issue bond indebtedness of up to $30,000,000 (Service Plan Debt Issuance Limit). In no event are the Districts authorized to issue debt in excess of the Service Plan Issuance Limit, with the exception that such limit is not applicable to refundings or the debt authorized to be issued under the Service Plan.

In the future, the District may issue a portion or all of the remaining authorized but unissued debt for purposes of providing public improvements to support development as it occurs within the District’s service area; however, as of the date of this audit, the amount and timing of any future debt issuances are not determinable.

NOTE 7 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

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

Restricted Net Position:		
Debt Service	$	94,039
Emergency Reserves		1,100
Total Restricted Net Position	$	95,139

The District has a negative unrestricted net position. This negative net position is expected to be remedied moving forward with increased property tax collections.

NOTE 8 RELATED PARTIES

The Developers of the property which constitutes the District are Carlson Associates Inc., CCM-1, LLC, MRD-2 LLC and MRD-3, LLC. All members of the Board of Directors of the District are officers or employees of an entity affiliated with the Developers or the majority owner of the Developers and may have conflicts of interest in dealing with the District.

NOTE 9 AGREEMENTS

Public Infrastructure Acquisition and Reimbursement Agreement

On December 3, 2024, the District entered into the Public Infrastructure Acquisition and Reimbursement Agreement (PIARA) with CCM-1, LLC, MRD-2, LLC and MRD-3, LLC to establish the process and conditions under which the District may reimburse the Developer for eligible public infrastructure and related capital costs.

The PIARA establishes the terms and conditions for the reimbursement of District Eligible Costs (defined therein) for Public Infrastructure to be dedicated to other governmental entities, and for Public Infrastructure that is to be owned, operated, and maintained by the District. Pursuant to the terms thereof, the Developer may be reimbursed for Certified District Eligible Costs, including Public Infrastructure and funds advanced to or on behalf of the District for District Eligible Costs. In order for the Developer to obtain reimbursement, the PIARA requires submission of an application for acceptance of District Eligible Costs, cost certification by both a professional engineer and accountant engaged by the District, and adoption of a joint resolution by the District to accept and certify the District Eligible Costs (defined as a District Acceptance Resolution). The District's obligations with respect to the payment of Certified District Eligible Costs shall be limited to availability of funds. Additionally, the PIARA sets forth the process for the District's acquisition of Public Improvements upon receipt of an application from the Developer, and subject to certain inspection rights, design certification, and adoption of a District Acquisition Resolution by the District. The Developer warrants the Public Infrastructure which is intended to be owned,

NOTE 9 AGREEMENTS (CONTINUED)

Public Infrastructure Acquisition and Reimbursement Agreement (continued)

operated, and maintained by the District for a period of one year from the date of the District accepts the improvements.

The District reimburses certified costs in the following order: bond proceeds, other available District funds (at District discretion) and issuance of reimbursed obligations (notes, bonds or similar debt instruments).

If accepted costs remain unpaid, they accrue simple interest at 7.5%, beginning on the date the District Acceptance Resolution until paid or converted into a reimbursement obligation. No compounding is allowed.

Upon developer request, the District may issue notes or similar obligations to evidence unpaid certified costs.

Intergovernmental Agreement between the Town of Parker, Colorado and the Cottonwood Highlands Metropolitan District Nos. 1 and 2

On June 3, 2015, the District entered into the Intergovernmental Agreement between the Town of Parker, Colorado and the Cottonwood Highlands Metropolitan District No. 2 to establish the responsibility for regional improvements and operations and maintenance authority. The District is responsible for financing and constructing specified regional improvements including detention ponds, drainage improvements, portions of Cottonwood Drive, Chambers Road, Jordan Road and signalization and related infrastructure.

The District may impose operations and maintenance mill levy up to 10 mills. The operations and maintenance mill levy is not subject to Gallagher adjustment. The revenues may be used for drainage facilities, detention ponds, parks, trails, open space, right-of-way landscaping and administrative cost.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the 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.

NOTE 10 RISK MANAGEMENT (CONTINUED)

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.

NOTE 11 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.

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. As of December 31, 2025, the District has not provided for an emergency reserve equal to at least 3% of fiscal year spending, as defined under TABOR, because net tax revenue is transferred to District No. 1, the Operating District, which provides for the emergency reserve.

The District's management has taken steps it believes are necessary to comply 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.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado. Annual property tax revenue is limited to a 5.25% increase (10.5% increase over a two-year period), such increase is determined based on prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues. The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

SUPPLEMENTARY INFORMATION

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 32,123	$ 32,123	$ 32,123	$ -
Specific Ownership Taxes	2,891	2,891	2,473	(418)
Interest Income	-	-	390	390
Total Revenues	35,014	35,014	34,986	(28)
EXPENDITURES				
Debt Service:				
County Treasurer's Fee	482	482	483	(1)
Loan Issue Cost	-	120,575	120,575	-
Contingency	-	50,018	-	50,018
Total Expenditures	482	171,075	121,058	50,017
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,532	(136,061)	(86,072)	49,989
OTHER FINANCING SOURCES (USES)				
Loan Issuance Proceeds	-	1,485,000	1,485,000	-
Transfers to Other Funds	-	(1,215,925)	(1,215,925)	-
Total Other Financing Sources (Uses)	-	269,075	269,075	-
NET CHANGE IN FUND BALANCE	34,532	133,014	183,003	49,989
Fund Balance - Beginning of Year	65,376	65,353	65,353	-
FUND BALANCE - END OF YEAR	$ 99,908	$ 198,367	$ 248,356	$ 49,989

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES	$ -	$ -	$ -	$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Capital Outlay	2,500,000	1,549,806	1,525,731	24,075
Total Expenditures	2,500,000	1,549,806	1,525,731	24,075
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,500,000)	(1,549,806)	(1,525,731)	24,075
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	1,215,925	1,215,925	-
Developer Advance	2,500,000	1,549,806	1,525,731	(24,075)
Repay Developer Advance	-	(1,215,925)	(1,215,925)	-
Total Other Financing Sources (Uses)	2,500,000	1,549,806	1,525,731	(24,075)
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ -	$ -	$ -

OTHER INFORMATION

COTTONWOOD HIGHLANDS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2025

	$1,485,000 General Obligation Loan, Series 2025 Dated April 24, 2025 Principal Due December 1 4.740% Interest Payable June 1 and December 1		
Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ 69,802	$ 69,802
2027	35,000	70,389	105,389
2028	35,000	68,730	103,730
2029	40,000	67,071	107,071
2030	40,000	65,175	105,175
2031	40,000	63,279	103,279
2032	45,000	61,383	106,383
2033	45,000	59,250	104,250
2034	45,000	57,117	102,117
2035	1,160,000	54,984	1,214,984
	$ 1,485,000	$ 637,180	$ 2,122,180

COTTONWOOD HIGHLANDS MOUNTAIN METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

			Total Mills Levied			Total Property Taxes		Percent
Year Ending December 31,	Assessed Valuation	Percent Change	General Operations	Debt Service	Total	Levied	Collected	Collected to Levied
2021	$ 1,790,150	49.41%	10.000	10.000	20.000	$ 35,804	$ 35,803	100.00%
2022	1,985,960	10.94%	10.000	10.000	20.000	39,720	39,719	100.00%
2023	2,109,640	6.23%	10.000	10.000	20.000	42,192	42,193	100.00%
2024	3,239,870	53.57%	10.000	10.000	20.000	64,798	64,797	100.00%
2025	3,212,340	-0.85%	10.000	10.000	20.000	62,246	62,246	100.00%
Estimated for Year Ending								
December 31, 2026	$ 4,954,290	54.23%	7.532	21.481	29.013	$ 143,739		

Note:
Property taxes collected in any one year include collection of delinquent property taxes levied in prior year.
Information received from the Treasurer does not permit identification of specific year of levy.

Source: Douglas County Assessor and Treasurer.

EXHIBIT C

Certification on behalf of the Board of Directors

STATE OF COLORADO
COUNTY OF DOUGLAS
COTTONWOOD HIGHLANDS METROPOLITAN DISTRICTS NO. 2

WBA, P.C., acting general counsel and authorized representative for the Board of Directors of the above District for this annual report, hereby certifies, on the Board's behalf, that during the year 2025, no action, event or condition enumerated in Section 10.11.060 of the Town of Parker Code took place within the District's boundaries or for which the District was made aware, which would have required a service plan amendment as a change of a basic or essential nature.

WBA, PC

WBA, P.C.