

ANNUAL INFORMATION REPORT
for the year 2023
CITYSET METROPOLITAN DISTRICT NO. 1
CITYSET METROPOLITAN DISTRICT NO. 2

As required by the Service Plans for CitySet Metropolitan District No. 1 (“**District No. 1**”) and CitySet Metropolitan District No. 2 (“**District No. 2**”, together with District No. 1, the “**Districts**”), approved by the City of Glendale (“**City**”) on August 3, 2010, we present the following report of the Districts’ activities from January 1, 2023 to December 31, 2023.

1. Boundary changes made or proposed:

There were no changes made or proposed to District No. 2’s boundaries in 2023. District No. 1 declared Inactive Status effective January 1, 2016, and currently remains in Inactive Status.

2. Agreements with other governmental entities entered into, terminated, or proposed:

No new intergovernmental agreements were entered into, terminated or proposed by District No. 2 during 2023. District No. 1 declared Inactive Status effective January 1, 2016, and currently remains in Inactive Status.

3. A list of all facilities and improvements constructed or acquired by the Districts and those that have been dedicated to and accepted by the City as of December 31, 2023:

District No. 2 did not construct or acquire any new facilities or improvements during 2022, and no new facilities or improvements have been dedicated to, or accepted by, the City during 2022. District No. 1 declared Inactive Status effective January 1, 2016, and currently remains in Inactive Status.

4. Audit of the Districts’ financial statements for the year ending December 31, 2023 or audit exemptions, if applicable:

A copy of District No. 2’s 2023 Audit is attached hereto as **Exhibit A**. District No. 1 declared Inactive Status effective January 1, 2016, and currently remains in Inactive Status, and is not required to perform an audit or file an audit exemption.

5. Notice of continuing disclosure undertaking for events of default by the Districts, which continue beyond (90) day period, under any Debt instrument:

None.

6. Any inability of the Districts to pay their obligations as they come due in accordance with the terms of such obligations and Debt instruments, which continues beyond a ninety (90) day period:

None.

The following information required by Section 32-1-207(3)(c)(II), C.R.S. (and not already disclosed above) is also provided for District No. 2. District No. 1 declared Inactive Status effective January 1, 2016, and currently remains in Inactive Status, and is not subject to the requirements of Section 32-1-207(3)(c), C.R.S.:

7. Access information to obtain a copy of rules and regulations adopted:

Rules and regulations adopted by District No. 2 may be accessed at the offices of Special District Management Services, Inc., 141 Union Blvd., Suite 150, Lakewood, CO 80228, 303-987-0835, or on District No. 2's website: <https://citysetmd2.colorado.gov/>.

8. Summary of litigation involving District No. 2's public improvements:

To our knowledge, there is no litigation involving District No. 2's public improvements.

9. Final assessed valuation of District No. 2 for the report year:

The final 2023 assessed valuation of District No. 2 is \$11,220,577.00

10. Current year's budget:

A copy of District No. 2's 2024 budget, as amended, is attached hereto as **Exhibit B**.

EXHIBIT A

Audit

CITYSET METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CitySet Metropolitan District No. 2
Arapahoe County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of CitySet Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the CitySet Metropolitan District No. 2 as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Required 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as noted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Flynn CPA, LLC

Castle Pines, CO

April 18, 2024

CITYSET METROPOLITAN DISTRICT NO. 2

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

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|--|-------------------|-------------------------|-----------------------------|---------------------|-----------------------|--|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 57,558 | \$ - | \$ - | \$ 57,558 | \$ - | \$ 57,558 |
| Cash and cash equivalents - restricted | 10,630 | 1,082,110 | - | 1,092,740 | - | 1,092,740 |
| Accounts receivable - developer | 73,610 | - | - | 73,610 | (73,610) | - |
| Accounts receivable | 102,548 | 43,889 | - | 146,437 | - | 146,437 |
| Prepaid expenses | 22,770 | - | - | 22,770 | - | 22,770 |
| Capital assets not being depreciated | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,452,839</u> | <u>12,452,839</u> |
| Total Assets | <u>\$ 267,116</u> | <u>\$ 1,125,999</u> | <u>\$ -</u> | <u>\$ 1,393,115</u> | <u>12,379,229</u> | <u>13,772,344</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 39,017 | \$ - | \$ - | \$ 39,017 | - | 39,017 |
| Accrued interest on bonds | - | - | - | - | 57,425 | 57,425 |
| Long-term liabilities: | | | | | | |
| Due within one year | - | - | - | - | 580,000 | 580,000 |
| Due in more than one year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,366,160</u> | <u>16,366,160</u> |
| Total Liabilities | <u>39,017</u> | <u>-</u> | <u>-</u> | <u>39,017</u> | <u>17,003,585</u> | <u>17,042,602</u> |
| FUND BALANCES/NET POSITION | | | | | | |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepays | 22,770 | - | - | 22,770 | (22,770) | - |
| Restricted: | | | | | | |
| Emergencies | 10,630 | - | - | 10,630 | (10,630) | - |
| Debt service | - | 1,125,999 | - | 1,125,999 | (1,125,999) | - |
| Unassigned | <u>194,699</u> | <u>-</u> | <u>-</u> | <u>194,699</u> | <u>(194,699)</u> | <u>-</u> |
| Total Fund Balances | <u>228,099</u> | <u>1,125,999</u> | <u>-</u> | <u>1,354,098</u> | <u>(1,354,098)</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 267,116</u> | <u>\$ 1,125,999</u> | <u>\$ -</u> | <u>\$ 1,393,115</u> | | |
| Net Position: | | | | | | |
| Restricted for: | | | | | | |
| Emergencies | | | | | 10,630 | 10,630 |
| Debt service | | | | | 1,125,999 | 1,125,999 |
| Unrestricted | | | | | <u>(4,406,887)</u> | <u>(4,406,887)</u> |
| Total Net Position | | | | | <u>\$ (3,270,258)</u> | <u>\$ (3,270,258)</u> |

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

CITYSET METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2023

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------|-------------------------|-----------------------------|---------------------|-----------------------|--|
| EXPENDITURES | | | | | | |
| <u>Operating:</u> | | | | | | |
| Management | \$ 17,124 | \$ - | \$ - | \$ 17,124 | \$ - | \$ 17,124 |
| Accounting | 20,366 | - | - | 20,366 | - | 20,366 |
| Audit | 6,100 | - | - | 6,100 | - | 6,100 |
| Insurance | 29,839 | - | - | 29,839 | - | 29,839 |
| Election | 2,572 | - | - | 2,572 | - | 2,572 |
| Legal | 23,996 | - | - | 23,996 | - | 23,996 |
| PIF collection fees | 16,522 | - | - | 16,522 | - | 16,522 |
| Property tax increment/URA collection fees | - | 1,741 | - | 1,741 | - | 1,741 |
| Sales and lodger's tax collection fees | - | 1,745 | - | 1,745 | - | 1,745 |
| Paying Agent Fees | - | 3,000 | - | 3,000 | - | 3,000 |
| Miscellaneous | 1,425 | - | - | 1,425 | - | 1,425 |
| Repair and maintenance | 45,088 | - | - | 45,088 | - | 45,088 |
| Elevator repair and maintenance | 6,670 | - | - | 6,670 | - | 6,670 |
| Surface parking repair and maintenance | 8,212 | - | - | 8,212 | - | 8,212 |
| Snow removal | 37,632 | - | - | 37,632 | - | 37,632 |
| Holiday lighting | 6,278 | - | - | 6,278 | - | 6,278 |
| Landscape maintenance | 12,330 | - | - | 12,330 | - | 12,330 |
| Landscape improvements | 37,816 | - | - | 37,816 | - | 37,816 |
| Valet service | 41,239 | - | - | 41,239 | - | 41,239 |
| Lift Station Operations | 19,512 | - | - | 19,512 | - | 19,512 |
| General Labor | 21,600 | - | - | 21,600 | - | 21,600 |
| Bond interest | - | 705,725 | - | 705,725 | (1,385) | 704,340 |
| Bond principal | - | 475,000 | - | 475,000 | (475,000) | - |
| Depreciation | - | - | - | - | 305,077 | 305,077 |
| Interest on developer advances - operations | - | - | - | - | 11,084 | 11,084 |
| Total Expenditures | <u>354,321</u> | <u>1,187,211</u> | <u>-</u> | <u>1,541,532</u> | <u>(160,224)</u> | <u>1,381,308</u> |
| GENERAL REVENUES | | | | | | |
| Public improvement fees | 826,105 | - | - | 826,105 | - | 826,105 |
| Sales and lodger's tax increment | - | 349,061 | - | 349,061 | - | 349,061 |
| Property tax increment/URA | - | 348,315 | - | 348,315 | - | 348,315 |
| Miscellaneous revenue | 7,232 | - | - | 7,232 | - | 7,232 |
| Interest income | 4,935 | 55,552 | 126 | 60,613 | - | 60,613 |
| Total General Revenues | <u>838,272</u> | <u>752,928</u> | <u>126</u> | <u>1,591,326</u> | <u>-</u> | <u>1,591,326</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | | | |
| | 483,951 | (434,283) | 126 | 49,794 | 160,224 | 210,018 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Developer advances | 187,669 | - | - | 187,669 | (187,669) | - |
| Transfers (to)/from other funds | (443,521) | 443,647 | (126) | - | - | - |
| Total Other Financing Sources (Uses) | <u>(255,852)</u> | <u>443,647</u> | <u>(126)</u> | <u>187,669</u> | <u>(187,669)</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | 228,099 | 9,364 | - | 237,463 | (237,463) | |
| CHANGES IN NET POSITION | | | | | | |
| | | | | | 210,018 | 210,018 |
| FUND BALANCES/NET POSITION | | | | | | |
| BEGINNING OF YEAR | <u>-</u> | <u>1,116,635</u> | <u>-</u> | <u>1,116,635</u> | <u>(4,596,911)</u> | <u>(3,480,276)</u> |
| END OF YEAR | <u>\$ 228,099</u> | <u>\$ 1,125,999</u> | <u>\$ -</u> | <u>\$ 1,354,098</u> | <u>\$ (4,624,356)</u> | <u>\$ (3,270,258)</u> |

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

CITYSET METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2023

| | Original & Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--|-----------------------------------|-------------------|---|
| REVENUES | | | |
| Public improvement fees | \$ 820,000 | \$ 826,105 | \$ 6,105 |
| Miscellaneous revenue | - | 7,232 | 7,232 |
| Interest income | <u>2,000</u> | <u>4,935</u> | <u>2,935</u> |
| Total Revenues | <u>822,000</u> | <u>838,272</u> | <u>16,272</u> |
| EXPENDITURES | | | |
| Management | 24,000 | 17,124 | 6,876 |
| Accounting | 25,000 | 20,366 | 4,634 |
| Audit | 6,500 | 6,100 | 400 |
| Insurance | 29,000 | 29,839 | (839) |
| Election | 3,000 | 2,572 | 428 |
| Legal | 32,000 | 23,996 | 8,004 |
| PIF collection fees | 16,400 | 16,522 | (122) |
| Miscellaneous | 4,000 | 1,425 | 2,575 |
| Repair and maintenance | 15,000 | 45,088 | (30,088) |
| Security systems repair and maintenance | 5,000 | - | 5,000 |
| Garage repair and maintenance | 5,000 | - | 5,000 |
| Elevator repair and maintenance | 15,000 | 6,670 | 8,330 |
| Surface parking repair and maintenance | 15,000 | 8,212 | 6,788 |
| Snow removal | 85,000 | 37,632 | 47,368 |
| Holiday lighting | 10,000 | 6,278 | 3,722 |
| Landscape maintenance | 30,000 | 12,330 | 17,670 |
| Landscape improvements | 50,000 | 37,816 | 12,184 |
| Valet service | - | 41,239 | (41,239) |
| Furnishings | 25,000 | - | 25,000 |
| Lift Station Operations | 20,000 | 19,512 | 488 |
| General Labor | 13,500 | 21,600 | (8,100) |
| Developer repayment | 44,750 | - | 44,750 |
| Contingency | 178,400 | - | 178,400 |
| Emergency reserve | <u>12,447</u> | <u>-</u> | <u>12,447</u> |
| Total Expenditures | <u>663,997</u> | <u>354,321</u> | <u>309,676</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 158,003 | 483,951 | 325,948 |
| OTHER FINANCING SOURCES | | | |
| Developer advances | - | 187,669 | 187,669 |
| Transfers from other funds | 224,656 | 228,225 | 3,569 |
| Transfers to other funds | <u>(686,062)</u> | <u>(671,746)</u> | <u>14,316</u> |
| Total Other Financing Sources | <u>(461,406)</u> | <u>(255,852)</u> | <u>205,554</u> |
| NET CHANGE IN FUND BALANCE | (303,403) | 228,099 | 531,502 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | <u>303,403</u> | <u>-</u> | <u>(303,403)</u> |
| END OF YEAR | <u>\$ -</u> | <u>\$ 228,099</u> | <u>\$ 228,099</u> |

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

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the CitySet Metropolitan District No. 2, located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

CitySet Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on March 3, 2011 and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District’s service area is located in the City of Glendale, Colorado. The District operates under a Service Plan to provide for the design, acquisition, construction, installation, financing, relocation and redevelopment, and operation and maintenance of certain water, sanitation, stormwater, street, traffic and safety control, park and recreation, TV and relay, fire protection, safety protection, transportation, and mosquito control improvements.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Basis of Presentation

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Expenditures for capital outlay are shown as increases in assets and redemption of long-term debts are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are public improvement fees and TIF collections. Nearly all revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

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

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

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

Budgetary Accounting

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

In November of 2023, the District amended its total appropriations in the Debt Service Fund from \$1,413,009 to \$1,600,000 due to increased debt service expenses.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

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

Deposits and Investments

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

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method.

Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Depreciable lives of capital assets are as follows:

| | |
|----------------|----------|
| Parking Garage | 40 years |
| Lift Station | 20 years |

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$22,770 represents prepaid expenditures.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$10,630 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,125,999 is restricted for the payment of the debt service costs (see Note 4).

Committed Fund Balance

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

Assigned Fund Balance

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

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Unassigned Fund Balance

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

Net Position

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

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

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

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

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

Note 2: Cash and Investments

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

| | |
|--|---------------------|
| Statement of Net Position: | |
| Cash and cash equivalents | \$ 57,558 |
| Cash and cash equivalents - restricted | <u>1,092,740</u> |
| Total | <u>\$ 1,150,298</u> |

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

| | |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 53,981 |
| Investments - COLOTRUST | 340,701 |
| Investments – Morgan Stanley | <u>755,616</u> |
| | <u>\$ 1,150,298</u> |

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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

Investments

Credit Risk

The District has elected to follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Investment Valuation

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

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

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

COLOTRUST

As of December 31, 2023, the District invested in the Colorado Local Governmental Liquid Asset Trust (“COLOTRUST”), a local governmental investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (“NAV”) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less and is rated AAAM by Standard & Poor’s. At December 31, 2023, the District had \$340,701 invested in COLOTRUST PLUS+.

Morgan Stanley Liquidity Govt ADV MAYXX Fund

During 2023, the District’s funds that were included in the trust accounts at the UMB Bank were invested in Morgan Stanley Liquidity Govt Adv MAYXX Fund. This fund is a money market fund and each share is equal in value to \$1.00. The fund is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days and invests exclusively in repurchase agreements collateralized by U.S. Treasury securities and U.S. Treasury debt. At December 31, 2023, the District had \$755,616 invested in this fund.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Note 3: Capital Assets

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

| <u>Governmental Type Activities:</u> | <u>Balance 1/1/2023</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 12/31/2023</u> |
|---------------------------------------|-----------------------------|---------------------|------------------|-------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,858,848 | \$ - | \$ - | \$ 3,858,848 |
| Capital assets, depreciable: | | | | |
| Lift Station | 208,100 | - | - | 208,100 |
| Parking Garage | 11,786,861 | - | - | 11,786,861 |
| Accumulated depreciation | <u>(3,095,893)</u> | <u>(305,077)</u> | <u>-</u> | <u>(3,400,970)</u> |
| | <u>8,899,068</u> | <u>(305,077)</u> | <u>-</u> | <u>8,593,991</u> |
| Governmental Type Assets, net | <u>\$ 12,757,916</u> | <u>\$ (305,077)</u> | <u>\$ -</u> | <u>\$ 12,452,839</u> |

Depreciation expense charged in 2023 to the governmental functions of the District was \$305,077.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Note 4: Long-Term Debt

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

| | Balance 1/1/2023 | Additions | Reductions | Balance 12/31/2023 | Current Portion |
|--|---------------------|------------|------------|-----------------------|--------------------|
| <u>General Obligation Bonds:</u> | | | | | |
| Series 2020 Bonds | \$ 17,165,000 | \$ - | \$ 475,000 | \$ 16,690,000 | \$ 580,000 |
| Total General Obligation Bonds | 17,165,000 | - | 475,000 | 16,690,000 | 580,000 |
| <u>Other:</u> | | | | | |
| Developer Advances - Principal | | | | | |
| 2022 Operation Funding Agreement | 28,464 | 59,064 | - | 87,528 | - |
| 2023 Operation Funding Agreement | - | 156,980 | - | 156,980 | - |
| | 28,464 | 216,044 | - | 244,508 | - |
| Developer Advances - Accrued Interest | | | | | |
| 2022 Operation Funding Agreement | 568 | 6,557 | - | 7,125 | - |
| 2023 Operation Funding Agreement | - | 4,527 | - | 4,527 | - |
| | 568 | 11,084 | - | 11,652 | - |
| Total Developer Advances and Accrued Interest | 29,032 | 227,128 | - | 256,160 | - |
| Total | \$ 17,194,032 | \$ 227,128 | \$ 475,000 | \$ 16,946,160 | \$ 580,000 |

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

Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds, Series 2020

On October 1, 2020, the District issued \$17,615,000 of Limited Tax General Obligation and Special Revenue Refunding and Improvement bonds (“Series 2020 Bonds”). The Series 2020 Bonds were issued to repay the Series 2015 loan with CoBiz Public Finances, Inc., accrued interest on developer advances, certain project and bond issuance costs, and to fund the initial deposit of the Surplus Fund as defined in the Series 2020 Bond indenture.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

The Series 2020 Bonds are limited tax and special revenue obligations of the District secured by and payable from the Pledged Revenue, including (i) the property tax increment revenue, the pledged sales tax increment revenue, and the pledged lodger's tax revenue, (ii) the PIF pledged revenue, (iii) the property tax revenue, (iv) specific ownership tax revenue, which are collected by the District, (v) any other legally available amounts that the District may designate by resolution of the Board, to be paid to the trustee for deposit into the Revenue Fund, or otherwise held under the indenture, and (vi) all income or other gain, if any, from any investment of the foregoing. PIF pledged revenue is defined as the amount received by the District from the Public Improvement Fees (see Note 9), less an amount equal to the operations and maintenance costs, which is limited to \$130,000 in calendar year 2020 and, thereafter, to increase one and one-half percent annually.

The Series 2020 Bonds include interest at rates ranging from 3.500% to 4.500% payable semiannually on each June 1 and December 1, commencing on June 1, 2021, and mature on 2045. The Series 2020 Bonds are subject to both optional and mandatory redemption, in whole or in part, upon payment of par, accrued interest, and a redemption premium. The optional redemption begins December 1, 2025 and the mandatory redemption begins December 1, 2022, December 1, 2031, and December 1, 2041.

Events of default for the Series 2020 Bonds include: (i) failure by the District to impose the required mill levy or to apply the pledged revenue as required by the indenture; (ii) default by the District in the performance of any other of the covenants, agreements, or conditions in the indenture and failure by the District to remedy; or (iii) the District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2020 Bonds.

The following is a summary of the annual long-term debt principal and interest requirements on the Series 2020 Bonds:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|---------------------|----------------------|
| 2024 | \$ 580,000 | \$ 689,100 | \$ 1,269,100 |
| 2025 | 605,000 | 668,800 | 1,273,800 |
| 2026 | 715,000 | 647,625 | 1,362,625 |
| 2027 | 750,000 | 622,600 | 1,372,600 |
| 2028 | 795,000 | 596,350 | 1,391,350 |
| 2029 - 2033 | 4,620,000 | 2,511,831 | 7,131,831 |
| 2034 - 2038 | 4,395,000 | 1,439,125 | 5,834,125 |
| 2039 - 2043 | 2,855,000 | 706,763 | 3,561,763 |
| 2044 - 2045 | 1,375,000 | 93,600 | 1,468,600 |
| | <u>\$ 16,690,000</u> | <u>\$ 7,975,794</u> | <u>\$ 24,665,794</u> |

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Developer Advances

The District assumed rights and obligations of that certain Facilities Funding and Acquisition Agreement, as amended, and an Operation Funding Agreement, as amended, (the Funding Agreements) with the Cherry Creek Lodging, LLC; Stonebridge Realty Advisors, Inc.; Sonley Lodging, LLC; Sonley Retail, LLC; Dimond Holdings, LLC; and Group Four Holdings, LLC (collectively, the “Developer”) from CitySet Metropolitan District No. 1 by virtue of that certain Termination, Assignment and Assumption of Facilities Funding, Construction and Operations Agreement dated October 16, 2015 where the Developer is to provide for the advancement of certain monies to the District for capital improvement costs and operation and maintenance costs. The District agrees to repay the Developer, along with accrued interest, at a rate of 12% compounded interest. As of December 31, 2023, no amounts were due under this agreement.

Debt Authorization

On November 2, 2010, qualified electors of the District approved the District to issue debt of up to \$540,000,000 for the purposes of financing construction or acquisition of capital improvements. As of December 31, 2023, the District had \$507,385,000 in authorized but unissued debt. Pursuant to the Intergovernmental Agreement with the City of Glendale, Colorado, the District will not issue more than \$60,000,000 in indebtedness. 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 December 31, 2023, the amount and timing of any debt issuance is not determinable. The District did not budget to issue debt in 2024.

As of December 31, 2023, the District has no lines of credit.

Note 5: Agreements

City of Glendale Intergovernmental Agreement

On April 15, 2011, the District entered into an intergovernmental agreement (the “City IGA”) with the City of Glendale, Colorado (the “City”). The City IGA describes the rights and responsibilities of the District regarding operation and ownership of public facilities, agreements relative to certain regional improvements and continued oversight by the City. The District is to finance such activities through fees and levies imposed by the District. The mill levy of the District is limited to 50 mills and total debt issued may not exceed \$60,000,000.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Declaration of Covenants Imposing and Implementing the Public Improvement Fees (“PIF Covenant”)

On December 23, 2009, Cherry Creek Lodging, LLC executed the PIF Covenant and caused the same to be recorded in the real property records of Arapahoe County against the real property located in the boundaries of the District (the “PIF Covenant Area”). The PIF Covenant obligates all Retailers located within the PIF Covenant Area to collect a public improvement fee in the amount of: (i) two percent (2%) of all PIF Sales (defined below) that occur within the PIF Covenant Area; and (ii) an additional one percent (1%) (for a total of three percent (3%)) on all Lodging PIF Sales (as defined below) that occur within the PIF Covenant Area (collectively, the “PIF Revenues”). PIF Sales means any exchange of goods or services for money or other media of exchange initiated, consummated, conducted or otherwise occurring from or within the PIF Covenant Area upon which a Sales Tax would be payable pursuant to Sales Tax Ordinances. Lodging PIF Sales means an exchange of services for money or other media of exchange relating to overnight lodging for one or more nights, which is initiated, consummated, conducted, transacted or otherwise occurring from or within the PIF Covenant Area, and that is subject to sales taxation by the City of Glendale pursuant to its Sales Tax Ordinances. Under the PIF Covenant, the PIF Revenues are intended to pay for eligible costs of public improvements.

PIF Collection Agreement

Cherry Creek Lodging, LLC, Cherry Creek-Sonley Public Improvement Corporation and the City of Glendale entered into that certain PIF Collection Agreement dated March 1, 2010 (the “PIF Collection Agreement”). Cherry Creek-Sonley Public Improvement Corporation subsequently assigned its rights and obligations under the PIF Collection Agreement to CitySet Metropolitan District No. 1 by virtue of that certain Assignment of PIF Collection Agreement dated June 18, 2012. CitySet Metropolitan District No. 1 assigned its rights and obligations under the PIF Collection Agreement to the District by virtue of that certain Assignment of PIF Collection Agreement dated October 16, 2015. Under the PIF Collection Agreement the Retailers are to collect and remit the PIF to the PIF Collection Agent. The City has agreed to act as the PIF Collection Agent.

Under the PIF Collection Agreement, the City receives the PIF Revenues and after deduction of the City’s reimbursable expenses, remits the PIF Revenues to the District for payment of eligible costs of public improvements.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Cooperation Agreement

The property within the District is located within the CitySet Urban Renewal Area (the “Plan Area”). The City and the Glendale Economic Redevelopment Authority (the “Authority”) entered into that certain Cooperation Agreement dated August 30, 2011 with respect to the Plan Area. Under the Cooperation Agreement, the City agreed to remit to the Authority the Pledged Sales Tax Increment Revenues and the Pledged Lodger’s Tax Increment Revenues. The Pledged Lodger’s Tax Increment Revenue is 35% of the Lodger’s Tax Increment Revenues and the Pledged Sales Tax Increment Revenues is 35% of the Sales Tax Increment Revenues. The Lodger’s Tax Increment Revenues is the total amount of revenues actually produced from the levy of a Lodger’s Tax within Parcel B in the Plan Area following the Lodger’s Tax Base year. The Sales Tax Increment Revenues is all of that portion of the municipal sales tax revenue above the Sales Base produced by a levy of 3.75% imposed by the City upon all sales transactions subject to the municipal sales tax after deducted from such revenue the actual cost of collection and enforcement of such sales tax revenue. The Sales Tax Base is the amount of revenues actually produced from the levy of the Sales Taxes within Parcel B in the Sales Tax Base Year which amount is zero.

Reimbursement Agreement

The Authority and the CitySet Metropolitan District No. 1 entered into that certain Reimbursement Agreement dated as of August 30, 2011. On October 16, 2015 CitySet Metropolitan District No. 1 assigned its rights and obligations under the Reimbursement Agreement to the District by virtue of that certain Assignment of Reimbursement Agreement.

Pursuant to the Reimbursement Agreement, the Authority has pledged certain revenues to the District for the District’s repayment of bonds issued in connection with the District’s construction of eligible public improvements. Under the Reimbursement Agreement, the Authority agrees to remit to the District: (i) 35% of the incremental revenues collected by the City and received by the Authority from the imposition of the City’s 6.5% Lodger’s Tax on the private improvements on Parcel B within the District’s service area; (ii) 35% of that portion of the municipal sales tax revenue received by the City from a levy of three and three quarters percent (3.75%) imposed by the City upon all transactions subject to municipal sales tax within the private improvements or otherwise on Parcel B within the District’s service area after deducted from such revenue the actual cost of collection and enforcement of such sales tax revenue; (iii) Property Tax Increment Revenue which is equal to the annual ad valorem property tax revenue received by the Authority from the Arapahoe County Treasurer in excess of the amount produced by the levy of those taxing bodies that levy property taxes against the base assessed value of the taxable property in the Urban Renewal Area; (iv) any portion of the Districts’ Debt Service Mill Levy (if imposed) and (v) any funds obtained or actually recovered by the Developer or the Districts as reimbursement for any and all expenditures for eligible public improvements, including amounts recovered from public utility companies, other metropolitan districts and other developers or property owners.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Facilities Funding, Construction and Operations Agreement

The District and CitySet Metropolitan District No. 1 (“District No. 1” and collectively, with the District, the “Districts”) entered into that certain Facilities Funding, Construction and Operations Agreement (the “FFCO”) on November 30, 2011 to coordinate the financing, construction, operation and maintenance of the public improvements within the service area of the Districts and to establish the relationship between the respective responsibilities of the Districts. The FFCO provides a framework for the equitable allocation over time among the Districts of the costs of administration of the Districts and the costs of financing, constructing, operating and maintaining the public improvements contemplated therein. Pursuant to the FFCO, District No. 1 is the “Operating District” and is generally responsible for providing the financing, construction, operations and maintenance of the public infrastructure to serve the service area. The District is the Taxing District and is generally responsible for cooperating with the Operating District to effectuate the financing of the public improvements.

The FFCO is intended to constitute a multiple fiscal year financial obligation of the Districts, and as such, it was submitted to and approved by the electorates of each of the Districts prior to being executed. The FFCO Agreement terminated October 16, 2015, by virtue of that certain Termination, Assignment, and Assumption of FCCO Agreement.

2011-2012 Operation Funding Agreement

On March 3, 2011, CitySet Metropolitan District No. 1, Cherry Creek Lodging, LLC and Stonebridge Realty Advisors, Inc., entered into that certain 2011-2012 Operation Funding Agreement (the “OFA”). The OFA was amended by that certain First Amendment dated effective November 11, 2011 and that certain Second Amendment dated effective November 30, 2011 which added the following parties as the Developer: Sonley Retail, LLC, Sonley Lodging, LLC, Dimond Holdings, LLC and Group Four Holdings, LLC (collectively, with Cherry Creek Lodging, LLC and Stonebridge Realty Advisors, Inc., the “Developer”). CitySet Metropolitan District No. 1 assigned its rights and obligations under the OFA to the District by virtue of that certain Termination, Assignment and Assumption of Facilities Funding, Construction and Operations Agreement dated October 16, 2015.

2021 Operation Funding Agreement

The District and Stonebridge Realty Advisors, Inc. (“Stonebridge”) entered into a 2021 Operation Funding Agreement dated and effective January 1, 2021, (the “2021 OFA”). Pursuant to the 2021 OFA, Stonebridge agreed to advance funds to the District for operation and maintenance expenses for fiscal year 2021 up to the Shortfall Amount of \$200,000. The District agrees to reimburse Stonebridge for the amounts advanced under the 2021 OFA together with accrued interest of 8% per annum. The 2021 OFA does not constitute a debt, but is an annual appropriation intended to be repaid to the extent the District has funds available. The obligation of the District to reimburse Stonebridge for advances made under the 2021 OFA expires on December 31, 2061, and any amounts of principal or interest outstanding on such date are deemed to be forever discharged and satisfied. As of December 31, 2023, no amounts were due under this agreement.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

2022 Operation Funding Agreement

The District and Oxbridge Properties, Inc. (“Oxbridge”) entered into a 2022 Operation Funding Agreement dated November 17, 2021, and effective January 1, 2022, (the “2022 OFA”). Pursuant to the 2022 OFA, Oxbridge agreed to advance funds to the District for operation and maintenance expenses for fiscal year 2022 up to the Shortfall Amount of \$155,000. The District agrees to reimburse Oxbridge for the amounts advanced under the 2022 OFA together with accrued interest of 8% per annum. The 2022 OFA does not constitute a debt, but is an annual appropriation intended to be repaid to the extent the District has funds available. The obligation of the District to reimburse Oxbridge for advances made under the 2022 OFA expires on December 31, 2062, and any amounts of principal or interest outstanding on such date are deemed to be forever discharged and satisfied.

As of December 31, 2023, a total of \$94,653 was due under this agreement, consisting of \$87,528 of principal and \$7,125 of accrued interest.

2023 Operation Funding Agreement

The District and Oxbridge entered into a 2023 Operation Funding Agreement dated November 16, 2022, and effective January 1, 2023, as amended by that First Amendment to 2023 Operation Funding agreement dated November 28, 2023, with an effective date of January 1, 2023 (the “2023 OFA”). Pursuant to the 2023 OFA, Oxbridge agreed to advance funds to the District for operation and maintenance expenses for fiscal year 2023 up to the Shortfall Amount of \$360,000. The District agrees to reimburse Oxbridge for the amounts advanced under the 2023 OFA together with accrued interest of 8% per annum. The 2023 OFA does not constitute a debt, but is an annual appropriation intended to be repaid to the extent the District has funds available. The obligation of the District to reimburse Oxbridge for advances made under the 2023 OFA expires on December 31, 2063, and any amounts of principal or interest outstanding on such date are deemed to be forever discharged and satisfied.

As of December 31, 2023, a total of \$161,507 was due under this agreement, consisting of \$156,980 of principal and \$4,527 of accrued interest.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Facilities Funding and Acquisition Agreement

CitySet Metropolitan District No. 1 and Cherry Creek Lodging, LLC and Stonebridge Realty Advisors, Inc., entered into a Facilities Funding and Acquisition Agreement dated October 11, 2011 (the “FFAA”). The FFAA was amended by a First Amendment dated November 11, 2011 to add the following parties as the Developer: Sonley Retail, LLC, Sonley Lodging, LLC, Dimond Holdings, LLC and Group Four Holdings, LLC (collectively, with Cherry Creek Lodging, LLC and Stonebridge Realty Advisors, Inc., the “Developer”). Pursuant to the FFAA, District No. 1 acknowledged that the Developer expended certain funds for Organizational Expenses. In addition, District No. 1 and the Developer agreed that the Developer would design, construct and complete certain public improvements. The FFAA provided for District No. 1’s acquisition of the public improvements from the Developer and repayment of the Organizational Expenses. The interest rate on such amounts is established at 12% per annum on the amounts outstanding commencing from the date(s) set forth in the FFAA. The agreement was further amended on December 2, 2013, to set the priority of payments as being first applied to principal and second to accrued and unpaid interest. CitySet Metropolitan District No. 1 assigned its rights and obligations under the FFAA to the District by virtue of that certain Termination, Assignment and Assumption Agreement as to Facilities Funding, Construction and Operations Agreement dated October 16, 2015.

Note 6: Related Parties

One of the Developers of the property which constitutes the District is Stonebridge Realty Advisors, Inc. The members of the Board of Directors of the District are officers, employees or otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

Note 7: Risk Management

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

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Tax, Spending and Debt Limitations

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

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

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

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

Note 9: Transfers

The transfer of \$671,746 from the General Fund to the Debt Service Fund was transferred for the purpose of transferring the excess PIF revenues during 2023. The transfer of \$126 from the Capital Projects Fund to the General Fund was transferred to transfer interest earned on Capital Projects funds during 2023. The transfer of \$228,099 from the Debt Service Fund to the General Fund was transferred as the result of the excess waterfall as determined by the Bond Trustee.

CITYSET METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

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

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

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

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

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

SUPPLEMENTAL INFORMATION

CITYSET METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2023

| | Original <u>Budget</u> | Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--|---------------------------|------------------------|---------------------|---|
| REVENUES | | | | |
| Sales and lodger's tax increment | \$ 395,000 | \$ 340,000 | \$ 349,061 | \$ 9,061 |
| Property tax increment/URA | 330,640 | 348,500 | 348,315 | (185) |
| Interest income | <u>5,000</u> | <u>40,000</u> | <u>55,552</u> | <u>15,552</u> |
| Total Revenues | <u>730,640</u> | <u>728,500</u> | <u>752,928</u> | <u>24,428</u> |
| EXPENDITURES | | | | |
| Property tax increment/URA collection fees | 1,653 | 1,743 | 1,741 | 2 |
| Sales and lodger's tax collection fees | 1,975 | 1,700 | 1,745 | (45) |
| Paying Agent Fees | 4,000 | 4,000 | 3,000 | 1,000 |
| Bond interest | 705,725 | 705,725 | 705,725 | - |
| Bond principal | <u>475,000</u> | <u>475,000</u> | <u>475,000</u> | <u>-</u> |
| Total Expenditures | <u>1,188,353</u> | <u>1,188,168</u> | <u>1,187,211</u> | <u>957</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | (457,713) | (459,668) | (434,283) | 25,385 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | 686,062 | 679,062 | 671,746 | (7,316) |
| Transfers to other funds | <u>(224,656)</u> | <u>(411,832)</u> | <u>(228,099)</u> | <u>183,733</u> |
| Total Other Financing Sources (Uses) | <u>461,406</u> | <u>267,230</u> | <u>443,647</u> | <u>176,417</u> |
| NET CHANGE IN FUND BALANCE | 3,693 | (192,438) | 9,364 | 201,802 |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | <u>749,269</u> | <u>1,116,635</u> | <u>1,116,635</u> | <u>-</u> |
| END OF YEAR | <u>\$ 752,962</u> | <u>\$ 924,197</u> | <u>\$ 1,125,999</u> | <u>\$ 201,802</u> |

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

CITYSET METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2023

| | Original & Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--|-----------------------------------|---------------|---|
| REVENUES | | | |
| Interest income | \$ 75 | \$ 126 | \$ 51 |
| Total Revenues | <u>75</u> | <u>126</u> | <u>51</u> |
| EXPENDITURES | | | |
| Miscellaneous improvements | <u>15,420</u> | <u>-</u> | <u>15,420</u> |
| Total Expenditures | <u>15,420</u> | <u>-</u> | <u>15,420</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (15,345) | 126 | 15,471 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers (to)/from other funds | <u>-</u> | <u>(126)</u> | <u>(126)</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(126)</u> | <u>(126)</u> |
| NET CHANGE IN FUND BALANCE | (15,345) | - | 15,345 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | <u>15,345</u> | <u>-</u> | <u>(15,345)</u> |
| END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

EXHIBIT B

Budget

CITYSET METROPOLITAN DISTRICT NO. 2
2024
BUDGET MESSAGE

Attached please find a copy of the adopted 2024 budget for the CitySet Metropolitan District No. 2.

The CitySet Metropolitan District No. 2 has adopted budgets for three funds, a General Fund to provide for operating and maintenance expenditures; a Capital Projects Fund to provide for the estimated infrastructure costs to be built for the benefit of the district; and a Debt Service Fund to account for the repayment of principal and interest on the outstanding general obligation bonds.

The district's accountants have utilized the modified accrual basis of accounting, and the budget has been adopted after proper postings, publications and public hearing.

The primary sources of revenue for the district in 2024 will be PIF collections and TIF collections. The district does not intend to impose a mill levy on property within the district for 2024.

CitySet Metropolitan District No. 2
Adopted Budget
General Fund
For the Year ended December 31, 2024

| | Actual <u>2022</u> | Adopted Budget <u>2023</u> | Actual <u>9/30/2023</u> | Estimate <u>2023</u> | Adopted Budget <u>2024</u> |
|-------------------------------------|-----------------------|----------------------------------|----------------------------|-------------------------|----------------------------------|
| Beginning fund balance | \$ 238,272 | \$ - | \$ - | \$ - | \$ 310,760 |
| Revenues: | | | | | |
| PIF Collections | 717,506 | 820,000 | 648,386 | 815,000 | 830,000 |
| Developer Advances | 130,449 | 303,403 | 95,184 | 360,462 | 294,423 |
| Interest and Miscellaneous Income | 1,765 | 2,000 | 11,014 | 14,000 | 13,000 |
| Transfer from debt service | <u>13,155</u> | <u>224,656</u> | <u>-</u> | <u>286,760</u> | <u>144,361</u> |
| Total revenues | <u>862,875</u> | <u>1,350,059</u> | <u>754,584</u> | <u>1,476,222</u> | <u>1,281,784</u> |
| Total funds available | <u>1,101,147</u> | <u>1,350,059</u> | <u>754,584</u> | <u>1,476,222</u> | <u>1,592,544</u> |
| Expenditures: | | | | | |
| Management | 14,819 | 24,000 | 13,896 | 32,000 | 32,000 |
| Accounting | 16,685 | 25,000 | 13,881 | 20,000 | 21,000 |
| Audit | 6,000 | 6,500 | 6,100 | 6,100 | 7,300 |
| Election | 1,783 | 3,000 | 2,172 | 2,200 | - |
| Insurance/ SDA Dues | 26,778 | 29,000 | 29,771 | 29,800 | 31,000 |
| Legal | 18,987 | 32,000 | 18,015 | 30,000 | 30,000 |
| PIF Collection Fee | 14,350 | 16,400 | 12,968 | 16,300 | 16,600 |
| Miscellaneous | 3,367 | 4,000 | 1,243 | 3,000 | 4,000 |
| Repair and Maintenance | 27,771 | 15,000 | 19,753 | 25,000 | 15,000 |
| Valet Service | - | - | 30,754 | 42,000 | 42,000 |
| Security Systems Repair and mainter | - | 5,000 | - | 3,000 | 5,000 |
| Landscape Maintenance | 21,343 | 30,000 | 6,488 | 30,000 | 30,000 |
| Landscape Improvements | 19,810 | 50,000 | 36,416 | 50,000 | - |
| Holiday Lighting | 8,753 | 10,000 | - | 10,000 | 10,000 |
| Garage Repair and Maintenance | - | 5,000 | - | 5,000 | 5,000 |
| Elevator Repair and Maintenance | 2,916 | 15,000 | 4,957 | 15,000 | 15,000 |
| Surface Parking Repair and Mainten. | 7,060 | 15,000 | 715 | 15,000 | 15,000 |
| Lift Station Operations | 17,463 | 20,000 | 16,575 | 20,000 | 20,000 |
| Snow Removal | 105,857 | 85,000 | 28,332 | 85,000 | 85,000 |
| Furnishings | - | 25,000 | - | 25,000 | 25,000 |
| General Labor | 13,367 | 13,500 | 16,200 | 22,000 | 13,500 |
| Transfer to Debt Service Fund | 507,752 | 686,062 | 496,348 | 679,062 | 692,023 |
| Transfer to Capital Projects Fund | 2,944 | - | - | - | - |
| Repay developer | 263,342 | 130,449 | - | - | 310,760 |
| Contingency | - | 92,701 | - | - | 155,094 |
| Emergency Reserve | <u>-</u> | <u>12,447</u> | <u>-</u> | <u>-</u> | <u>12,267</u> |
| Total expenditures | <u>1,101,147</u> | <u>1,350,059</u> | <u>754,584</u> | <u>1,165,462</u> | <u>1,592,544</u> |
| Ending fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 310,760</u> | <u>\$ -</u> |
| Gross Total Taxable AV | | \$ 10,966,574 | | | \$ 11,220,577 |
| Less Total TIF | | <u>3,962,378</u> | | | <u>4,058,109</u> |
| Assessed valuation | | <u>\$ 7,004,196</u> | | | <u>\$ 7,162,468</u> |
| Mill Levy | | <u>-</u> | | | <u>-</u> |

CitySet Metropolitan District No. 2
Adopted Budget
Capital Projects Fund
For the Year ended December 31, 2024

| | Actual <u>2022</u> | Adopted Budget <u>2023</u> | Actual <u>9/30/2023</u> | Estimate <u>2023</u> | Adopted Budget <u>2024</u> |
|----------------------------|-----------------------|----------------------------------|----------------------------|-------------------------|----------------------------------|
| Beginning fund balance | \$ 15,270 | \$ 15,345 | \$ - | \$ - | \$ - |
| Revenues: | | | | | |
| Developer Advances | - | - | - | - | 50,000 |
| Interest Income | 167 | 75 | 126 | 126 | - |
| Transfers from other funds | <u>2,944</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>3,111</u> | <u>75</u> | <u>126</u> | <u>126</u> | <u>50,000</u> |
| Total funds available | <u>18,381</u> | <u>15,420</u> | <u>126</u> | <u>126</u> | <u>50,000</u> |
| Expenditures: | | | | | |
| Miscellaneous improvements | 18,381 | 15,420 | - | - | 50,000 |
| Other | <u>-</u> | <u>-</u> | <u>126</u> | <u>126</u> | <u>-</u> |
| Total expenditures | <u>18,381</u> | <u>15,420</u> | <u>126</u> | <u>126</u> | <u>50,000</u> |
| Ending fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CitySet Metropolitan District No. 2
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2024

| | Actual <u>2022</u> | Adopted Budget <u>2023</u> | Actual <u>9/30/2023</u> | Estimate <u>2023</u> | Adopted Budget <u>2024</u> |
|--------------------------------|-----------------------|----------------------------------|----------------------------|-------------------------|----------------------------------|
| Beginning fund balance | \$ 1,141,423 | \$ 749,269 | \$ 1,116,635 | \$ 1,116,635 | \$ 1,049,269 |
| Revenues: | | | | | |
| Sales Tax - TIF Collections | 159,724 | 225,000 | 142,431 | 175,000 | 180,000 |
| Lodging Tax - TIF Collections | 145,302 | 170,000 | 132,300 | 165,000 | 170,000 |
| Property Tax Increment Revenue | 340,152 | 330,640 | 348,314 | 348,500 | 338,629 |
| Transfer from General Fund | 507,752 | 686,062 | 496,348 | 679,062 | 692,023 |
| Interest Income | <u>13,137</u> | <u>5,000</u> | <u>35,411</u> | <u>40,000</u> | <u>40,000</u> |
| Total revenues | <u>1,166,067</u> | <u>1,416,702</u> | <u>1,154,804</u> | <u>1,407,562</u> | <u>1,420,652</u> |
| Total funds available | <u>2,307,490</u> | <u>2,165,971</u> | <u>2,271,439</u> | <u>2,524,197</u> | <u>2,469,921</u> |
| Expenditures: | | | | | |
| 2020 Bond Principal | 450,000 | 475,000 | - | 475,000 | 580,000 |
| 2020 Bond Interest | 721,475 | 705,725 | 352,862 | 705,725 | 689,100 |
| Transfer excess to GF | 13,155 | 224,656 | - | 286,760 | 144,361 |
| Paying Agent Fees | 3,000 | 4,000 | - | 4,000 | 4,000 |
| TIF Collection Fee | 1,525 | 1,975 | 1,374 | 1,700 | 1,750 |
| Tax Increment Collection Fee | <u>1,700</u> | <u>1,653</u> | <u>1,742</u> | <u>1,743</u> | <u>1,693</u> |
| Total expenditures | <u>1,190,855</u> | <u>1,413,009</u> | <u>355,978</u> | <u>1,474,928</u> | <u>1,420,904</u> |
| Ending fund balance | <u>\$ 1,116,635</u> | <u>\$ 752,962</u> | <u>\$ 1,915,461</u> | <u>\$ 1,049,269</u> | <u>\$ 1,049,017</u> |
| Gross Total Taxable AV | | <u>\$ 10,966,574</u> | | | <u>\$ 11,220,577</u> |
| Less Total TIF | | <u>\$ 3,962,378</u> | | | <u>\$ 4,058,109</u> |
| Assessed valuation | | <u>\$ 7,004,196</u> | | | <u>\$ 7,162,468</u> |
| Required Reserve Fund | 2020 Surplus | <u>\$ 749,269</u> | 2020 Surplus | | <u>\$ 749,269</u> |