

**PEAK METROPOLITAN DISTRICT NO. 2
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**PEAK METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2023**

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Board of Directors
Peak Metropolitan District No 2
El Paso County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Peak 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Peak Metropolitan District No 2 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Other Information

Management is responsible for the other information included in our report. The other information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and, accordingly, we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP
Denver, Colorado

September 26, 2024

BASIC FINANCIAL STATEMENTS

PEAK METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 637,840
Cash and Investments - Restricted	33,100
Prepaid Insurance	3,931
Receivable from County Treasurer	7,385
Property Tax Receivable	<u>1,097,952</u>
Total Assets	<u>1,780,208</u>
LIABILITIES	
Accounts Payable	26,986
Noncurrent Liabilities:	
Due in More Than One Year	<u>6,813</u>
Total Liabilities	<u>33,799</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>1,097,952</u>
Total Deferred Inflows of Resources	<u>1,097,952</u>
NET POSITION	
Restricted for:	
Emergency Reserve	33,100
Unrestricted	<u>615,357</u>
Total Net Position	<u><u>\$ 648,457</u></u>

See accompanying Notes to Basic Financial Statements.

**PEAK METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Primary Government: Governmental Activities: General Government	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Total Governmental Activities				Governmental Activities
	\$ 689,534	\$ -	\$ -	\$ (689,534)
	<u>\$ 689,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(689,534)</u>
GENERAL REVENUES				
Property Taxes				975,900
Specific Ownership Taxes				96,117
Interest Income				30,133
Pilot Revenue				1,772
Total General Revenues				<u>1,103,922</u>
CHANGES IN NET POSITION				
Net Position - Beginning of Year				<u>234,069</u>
NET POSITION - END OF YEAR				<u><u>\$ 648,457</u></u>

See accompanying Notes to Basic Financial Statements.

**PEAK METROPOLITAN DISTRICT NO. 2
BALANCE SHEET –
GOVERNMENTAL FUND
DECEMBER 31, 2023**

	<u>Total Governmental Fund</u>
ASSETS	
Cash and Investments	\$ 637,840
Cash and Investments - Restricted	33,100
Receivable from County Treasurer	7,385
Prepaid Insurance	3,931
Property Tax Receivable	<u>1,097,952</u>
Total Assets	<u><u>\$ 1,780,208</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 26,986
Total Liabilities	<u>26,986</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	<u>1,097,952</u>
Total Deferred Inflows of Resources	<u>1,097,952</u>
FUND BALANCES	
Nonspendable:	
Prepaid Expense	3,931
Restricted for:	
Emergency Reserves	33,100
Unassigned	<u>618,239</u>
Total Fund Balances	<u>655,270</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Developer Advance Payable	<u>(6,813)</u>
Net Position of Governmental Activities	<u><u>\$ 648,457</u></u>

See accompanying Notes to Basic Financial Statements.

**PEAK METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2023**

	<u>Total Governmental Fund</u>
REVENUES	
Property Taxes	\$ 975,900
Specific Ownership Taxes	96,117
Interest Income	30,133
PILOT Revenue	1,772
Total Revenues	<u>1,103,922</u>
EXPENDITURES	
Current:	
Accounting	28,081
County Treasurer's Fee	14,638
District Management	7,232
Dues And Membership	1,030
Election	420
Electricity	5,121
Engineering	10,210
Insurance	4,226
Landscaping	101,135
Legal	39,535
Repairs And Maintenance	235,999
Irrigation Maintenance	2,463
Detention Ponds	28,541
Snow Removal	21,834
Water	188,304
Website	310
Total Expenditures	<u>689,079</u>
NET CHANGE IN FUND BALANCE	414,843
Fund Balance - Beginning of Year	<u>240,427</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 655,270</u></u>

See accompanying Notes to Basic Financial Statements.

**PEAK METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balance - Total Governmental Fund \$ 414,843

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

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

Accrued Interest Payable Developer Advance - Change in Liability (455)

Changes in Net Position of Governmental Activities \$ 414,388

**PEAK METROPOLITAN DISTRICT NO. 2
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Fund Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 917,852	\$ 975,900	\$ 58,048
Specific Ownership Taxes	91,785	96,117	4,332
Interest Income	14,500	30,133	15,633
PILOT Revenue	-	1,772	1,772
Total Revenues	<u>1,024,137</u>	<u>1,103,922</u>	<u>79,785</u>
EXPENDITURES			
Accounting	25,000	28,081	(3,081)
Contingency	58,082	-	58,082
County Treasurer's Fee	13,768	14,638	(870)
Engineering	-	10,210	(10,210)
District Management	-	7,232	(7,232)
Dues And Membership	450	1,030	(580)
Election	-	420	(420)
Electricity	-	5,121	(5,121)
Detention Ponds	-	28,541	(28,541)
Insurance	3,500	4,226	(726)
Irrigation Maintenance	10,000	2,463	7,537
Landscaping	67,700	101,135	(33,435)
Landscape Repairs	50,000	-	50,000
Legal	50,000	39,535	10,465
Miscellaneous	1,500	-	1,500
Repairs And Maintenance	800,000	235,999	564,001
Snow Removal	60,000	21,834	38,166
Utilities	100,000	-	100,000
Water	-	188,304	(188,304)
Website	-	310	(310)
Total Expenditures	<u>1,240,000</u>	<u>689,079</u>	<u>550,921</u>
NET CHANGE IN FUND BALANCE	(215,863)	414,843	630,706
Fund Balance - Beginning of Year	<u>269,215</u>	<u>240,427</u>	<u>(28,788)</u>
FUND BALANCE - END OF YEAR	<u>\$ 53,352</u>	<u>\$ 655,270</u>	<u>\$ 601,918</u>

See accompanying Notes to Basic Financial Statements.

PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Peak Metropolitan District No. 2 (the District) a quasi-municipal corporation and political subdivision of the State of Colorado was organized by court order on January 23, 2019, recorded on January 25, 2019, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Colorado Springs (the City), El Paso County (the County), Colorado. The District was organized in conjunction with two other related districts, Peak Metropolitan District No. 1 (District No. 1) and Peak Metropolitan District No. 3 (District No. 3, and together with the District and District No. 1, the Districts).

The Consolidated Service Plan for the Districts was approved by the City on August 28, 2018, pursuant to Sections 32-1-201, et seq. C.R.S., as amended by that First Amendment to Consolidated Service Plan approved by the City on February 12, 2019 and that Second Amendment to the Consolidated Service Plan approved by the City on March 22, 2022, (the Service Plan) as the same may be amended or restated from time to time. The purposes for which each District was formed includes designing, constructing, acquiring, financing, operating, and maintaining certain Public Improvements (as defined in the Service Plan), as authorized by and in accordance with the Service Plan.

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.

The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 instead as general revenues.

Separate financial statements are provided for the 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 District 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 and assessments. 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 due.

The District reports the following major governmental fund:

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.

PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government 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 the general fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

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

Property Taxes

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

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

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 position 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.

PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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.

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.

**PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 637,840
Cash and Investments - Restricted	33,100
Total Cash and Investments	\$ 670,940

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

Deposits with Financial Institutions	\$ 26,122
Investments	644,818
Total Cash and Investments	\$ 670,940

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, 2023 the District's cash deposits had a bank balance and a carrying balance of \$26,122.

Investments

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

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

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

**PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 644,818
Total		\$ 644,818

CSAFE

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

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

**PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

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

NOTE 4 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Other Debts:					
Developer Advance - Operating	\$ 5,700	\$ -	\$ -	\$ 5,700	\$ -
Accrued Interest on:					
Developer Advance - Operating	658	455	-	1,113	-
Total Long-Term Obligations	<u>\$ 6,358</u>	<u>\$ 455</u>	<u>\$ -</u>	<u>\$ 6,813</u>	<u>\$ -</u>

The District has no other long-term obligations.

NOTE 5 RELATED PARTIES

The Developer of the property which constitutes the District is UFCS Airport, LLC (Developer). During 2023, all members of the Board of Directors were officers or employees of, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

Operation Funding Agreement

On February 24, 2022, the District and the Developer entered into an Operation Funding Agreement, effective January 1, 2021 (OFA). The OFA provides for the Developer to advance funds for ongoing operations expenses incurred by the District as needed for fiscal year 2021, up to the Shortfall Amount of \$20,000.

The District agrees to repay any advances received from any funds available after the payment of its annual debt service obligations and annual operations and maintenance expenses. Interest shall accrue at the rate of 8%. The District’s obligation to reimburse the Developer is subject to annual appropriations and expires on December 31, 2061. As of December 31, 2023, outstanding advances under the OFA totaled \$5,700 and accrued interest totaled \$1,113.

**PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted for emergency reserve, and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023 as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 33,100
Total Restricted Net Position	\$ 33,100

NOTE 7 AGREEMENTS

Operations and Maintenance Mill Levy Limitation Agreement

On March 1, 2021, the District (also referred to herein as the Maintenance District), District No. 1 and District No. 3 (together the Financing Districts) entered into the 2021 Operations and Maintenance Mill Levy Limitation Agreement (Mill Levy Limitation Agreement). Pursuant to the Colorado Constitution, Article XIV, Section 18(2)(a), and Section 29-1-203, C.R.S., metropolitan districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the imposition of taxes, and the incurring of debt.

Pursuant to the Mill Levy Limitation Agreement, the Districts shall dedicate the Public Improvements to the City or other appropriate jurisdiction in a manner consistent with the Approved Development Plan (as defined in the Service Plan), and other rules and regulations of the City and applicable provisions of the City Code. The Districts shall not be authorized to operate and maintain any part of the Public Improvements after such dedication unless the provision of such ongoing operation and maintenance is specifically identified in the Service Plan. The Service Plan allows for the boundaries of the Districts to overlap, as long as the aggregate mill levy for the payment of debt and operations of the overlapping Districts will not at any time exceed the Maximum Debt Mill Levy (as defined in the Service Plan) for the repayment of debt, or the Maximum Operating Mill Levy of 10 mills, subject to adjustment for changes in the method of calculating assessed valuation, (Maximum Operating Mill Levy) for the payment of Actual Administrative and Compliance Costs and Actual Maintenance Costs (both as defined therein).

The Districts agree each District will incur Actual Administrative and Compliance Costs and, as such, it is necessary for each District to impose an operating mill levy to pay for such Actual Administrative and Compliance Costs.

**PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 AGREEMENTS (CONTINUED)

Operations and Maintenance Mill Levy Limitation Agreement (Continued)

The Districts further acknowledge and agree it is the intent and desire of the Districts that the Maintenance District be responsible for managing and providing operation and maintenance of Public Improvements not otherwise accepted by other governing jurisdictions throughout the Service Area (as defined in the Service Plan) of all the Districts (Maintenance Services) and that it will be necessary for the Maintenance District to impose an operating mill levy to generate revenues for expenses related to the provision of such Maintenance Services.

The Mill Levy Limitation Agreement sets forth the agreement of the Districts relative to the process by which the Districts will annually determine their respective operation and maintenance mill levies needed for Actual Administrative and Compliance Costs of each District and by the Maintenance District for provision of the Maintenance Services to assure the Districts do not exceed the aggregate Maximum Operating Mill Levy. The Mill Levy Limitation Agreement supersedes and replaces in its entirety the Memorandum of Understanding, dated January 29, 2019, entered into by the Districts.

Intergovernmental Agreement Regarding Covenant Enforcement and Design Review Services

The City of Colorado Springs has executed that certain Declaration of Design Covenants, Conditions and Restrictions for Peak Innovation Park dated January 24, 2020, and recorded in the real property records of the County at Reception No. 220011358 (as may be amended from time to time, the Declaration). The Declaration provides that the Districts shall enter into an Intergovernmental Agreement to provide that one or more of the Districts shall implement the terms and conditions of the Declaration. On March 1, 2021, the District, District No. 1, and District No. 3 entered into that certain Intergovernmental Agreement Regarding Covenant Enforcement and Design Review Services agreeing and assigning to the District, through the Peak Innovation Park Architectural Control Committee, the power to provide design review services and enforce Covenants. The Districts agree to cooperate to establish annual budgets for the provision of these services.

2021 PILOT Covenant

The Declaration of Covenants Imposing and Implementing Payment In Lieu of Taxes against all of the property of the District (2021 PILOT Covenant) made by the City, as Declarant, was entered into on February 11, 2021 and became effective on February 19, 2021 upon recordation in the real property records of the Clerk and Recorder of El Paso County. The purpose of the 2021 PILOT Covenant is to require: (a) any tax-exempt users to make payments in lieu of taxes to the District and (b) the City to make payments in lieu of taxes to the District if a Lease Termination Event (as defined therein) occurs. Payments under the 2021 PILOT Covenant are not expected to be required by the City unless a Lease Termination Event occurs, if ever, although such payments are possible.

PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 AGREEMENTS (CONTINUED)

2022 PILOT Covenant

The Declaration of Covenants Imposing and Implementing Payment in Lieu of Taxes against all of the property of the District (the 2022 PILOT Covenant) made by the City, as Declarant, was entered into December 6, 2022 and became effective on December 8, 2022 upon recordation in the real property records of the Clerk and Recorder of El Paso County. The purpose of the 2022 PILOT Covenant is to require: (a) any tax-exempt users to make payments in lieu of taxes to the District and (b) the City to make payments in lieu of taxes to the District if a Lease Termination Event (as defined therein) occurs. Payments under the 2022 PILOT Covenant are not expected to be required by the City unless a Lease Termination Event occurs, if ever, although such payments are possible.

NOTE 8 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 (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, 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 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue more than 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 3.00% 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.

PEAK METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 6, 2018, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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 10 SUBSEQUENT EVENT

On March 28, 2024 the District, District No. 1, and District No. 3 entered into a First Amendment to the Mill Levy Limitation Agreement, effective January 1, 2024, the purpose of which is to set forth the agreement of the Districts relative to the process by which the District will advance funds to District No. 1 and District No. 3 for Operation Shortfalls (defined therein) and for District No. 1 and District No. 3 to reimburse the District.

OTHER INFORMATION

PEAK METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2020	\$ 276,940	0.0%	-	-	-	\$ -	\$ -	- %
2021	3,356,980	1112.2%	10.000	-	10.000	33,570	33,570	100.00 %
2022	55,375,340	1549.6%	8.000	-	8.000	443,003	443,003	100.00 %
2023	114,731,550	107.2%	8.000	-	8.000	917,852	975,900	106.32 %
Estimated for Year Ending December 31, 2024	\$ 132,012,960	15.1%	8.317	-	8.317	\$ 1,097,952		

Note:
Property taxes collected in any one year include collection of delinquent property

Source: El Paso County Assessor and Treasurer.