

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2
Weld County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2
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DECEMBER 31, 2023**

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Board of Directors
Erie Commons Metropolitan District No. 2
Weld County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Erie Commons 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 each major fund of Erie Commons 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.

Supplementary Information

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



Wipfli LLP
Denver, Colorado

March 18, 2025

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments	\$ 246,522
Cash and Investments - Restricted	36,577
Accounts Receivable	79
Prepaid Insurance	1,906
Due from Other Districts	24,656
Receivable from County Treasurer	4,346
Property Tax Receivable	2,137,921
Total Assets	2,452,007
DEFERRED OUTFLOWS OF RESOURCES	
Bond Insurance Cost	281,712
Total Deferred Outflows of Resources	281,712
LIABILITIES	
Accounts Payable	2,838
Accrued Interest	59,538
Noncurrent Liabilities:	
Due Within One Year	285,000
Due in More Than One Year	34,801,854
Total Liabilities	35,149,230
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2,137,921
Total Deferred Inflows of Resources	2,137,921
NET POSITION	
Restricted for:	
Emergency Reserve	8,200
Unrestricted	(34,561,632)
Total Net Position	\$ (34,553,432)

See accompanying Notes to Financial Statements.

ERIE COMMONS METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 98,502	\$ -	\$ -	\$ -	\$ (98,502)
Interest on Long-Term Debt and Related Costs	1,548,544	-	89,025	-	(1,459,519)
Total Governmental Activities	\$ 1,647,046	\$ -	\$ 89,025	\$ -	(1,558,021)
GENERAL REVENUES					
Property Taxes					1,423,841
Specific Ownership Taxes					60,610
Interest Income					42,079
TIF Revenue					644
Other Revenue					50,511
Total General Revenues and Transfers					1,577,685
CHANGES IN NET POSITION					19,664
Net Position - Beginning of Year					(34,573,096)
NET POSITION - END OF YEAR					\$ (34,553,432)

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	<u>General Fund and Total Governmental Fund</u>
ASSETS	
Cash and Investments	\$ 246,922
Cash and Investments - Restricted	36,177
Receivable from County Treasurer	4,346
Accounts Receivable	79
Due from Other Districts	24,656
Prepaid Insurance	1,906
Property Tax Receivable	<u>2,137,921</u>
Total Assets	<u><u>\$ 2,452,007</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 2,838
Total Liabilities	<u>2,838</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	<u>2,137,921</u>
Total Deferred Inflows of Resources	<u>2,137,921</u>
FUND BALANCES	
Nonspendable:	
Prepaid Expense	1,906
Restricted for:	
Emergency Reserves	8,200
Unassigned	<u>301,142</u>
Total Fund Balances	<u>311,248</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	
Amounts reported for governmental activities in the statement of net position are different because:	
Prepaid municipal bond insurance is recognized as an asset for governmental activities that is amortized over the life of the related debt Bond Insurance Cost	281,712
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest	(2,346,205)
Bonds Payable - 2019A Limited Tax Bonds	(19,325,000)
Bonds Payable - 2019B Limited Tax Bonds	(12,400,000)
Bond Premium - 2019A Limited Tax Bonds	<u>(1,075,187)</u>
Net Position of Governmental Activities	<u><u>\$ (34,553,432)</u></u>

See accompanying Notes to Financial Statements.

ERIE COMMONS METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General Fund and Total Governmental Fund
REVENUES	
Property Taxes	\$ 1,423,841
Specific Ownership Taxes	60,610
Interest Income	42,079
Other Revenue	50,511
TIF Revenue	644
Intergovernmental Revenues	89,025
Total Revenues	1,666,710
EXPENDITURES	
Current:	
Accounting	8,335
Auditing	11,025
Banking Fees	137
County Treasurer's Fee	21,379
Directors' Fees	100
Dues And Membership	996
Insurance	2,106
Legal	9,424
Intergovernmental Expenditures	45,000
Debt Service:	
Bond Interest	1,199,237
Bond Principal	255,000
Total Expenditures	1,552,739
NET CHANGE IN FUND BALANCES	113,971
Fund Balances - Beginning of Year	197,277
FUND BALANCES - END OF YEAR	\$ 311,248

See accompanying Notes to Financial Statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$ 113,971
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Loan Principal	255,000
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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 - Change in Liability	(409,733)
Amortization of Bond Insurance	(10,835)
Amortization of Bond Premium	71,261
	71,261

Changes in Net Position of Governmental Activities	\$ 19,664
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**ERIE COMMONS 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 Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 1,424,573	\$ 1,423,841	\$ (732)
Specific Ownership Taxes	71,261	60,610	(10,651)
Interest Income	-	42,079	42,079
Other Revenue	-	50,511	50,511
TIF Revenue	644	644	-
Intergovernmental Revenues	89,135	89,025	(110)
Total Revenues	<u>1,585,613</u>	<u>1,666,710</u>	<u>81,097</u>
EXPENDITURES			
Accounting	12,500	8,335	4,165
Auditing	12,500	11,025	1,475
Banking Fees	-	137	(137)
County Treasurer's Fee	21,369	21,379	(10)
Directors' Fees	200	100	100
Dues And Membership	-	996	(996)
Insurance	13,000	2,106	10,894
Legal	5,000	9,424	(4,424)
Miscellaneous	2,500	-	2,500
Paying Agent Fees	8,000	-	8,000
Bond Interest	1,204,184	1,199,237	4,947
Bond Principal	255,000	255,000	-
Intergovernmental Expenditures	25,000	45,000	(20,000)
Total Expenditures	<u>1,559,253</u>	<u>1,552,739</u>	<u>6,514</u>
NET CHANGE IN FUND BALANCE	26,360	113,971	87,611
Fund Balance - Beginning of Year	<u>164,027</u>	<u>197,277</u>	<u>33,250</u>
FUND BALANCE - END OF YEAR	<u>\$ 190,387</u>	<u>\$ 311,248</u>	<u>\$ 120,861</u>

See accompanying Notes to Financial Statements.

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

NOTE 1 DEFINITION OF REPORTING ENTITY

Erie Commons Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the Weld County District Court and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan with Erie Commons Metropolitan District No. 1 (District No. 1) approved by the Town of Erie on July 8, 2003, amended on January 24, 2005, and as amended on September 13, 2019. Pursuant to the Service Plan, the District, the financing district, is intended to provide funding to District No. 1 for the design, acquisition, construction, and completion of public improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, water, mosquito and pest control and sanitation facilities. District No. 1, the operating district, is intended to manage the financial, construction and operation and maintenance of such improvements.

The operation and maintenance of all other services and facilities is anticipated to be provided by the Town of Erie and not by the District.

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

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, including District No. 1 and the Town of Erie.

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 the activities of the District. Governmental activities are normally supported by taxes.

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

ERIE COMMONS 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 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is 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.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The 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 adopted budgets for the General Fund and Debt Service fund have been consolidated and reflected as the General Fund Budget for financial reporting purposes.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year.

The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Amortization

Original Issue Discount/Premium: In the government-wide financial statements bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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.

ERIE COMMONS 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	\$ 246,922
Cash and Investments - Restricted	36,177
Total Cash and Investments	<u>\$ 283,099</u>

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

Deposits with Financial Institutions	\$ 55,233
Investments	227,866
Total Cash and Investments	<u>\$ 283,099</u>

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.

On December 31, 2023, the District had a bank balance of \$55,903 and carrying balance of \$55,233.

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 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	\$ 227,866

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Colorado Surplus Asset Fund Trust (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 – CSAFЕ CASH FUND and CSAFЕ CORE.

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

CSAFЕ 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. CSAFЕ CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for CSAFЕ’s portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFЕ’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 CSAFЕ. CSAFЕ CASH FUND is rated AAАmmf and CSAFЕ CORE is rated AAАf/S1 by Fitch Ratings. CSAFЕ records its investments at amortized cost and the District records its investments in CSAFЕ using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the 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
Bonds Payable:					
General Obligation Bonds					
2019A Limited Tax Bonds	\$ 19,580,000	\$ -	\$ 255,000	\$ 19,325,000	\$ 285,000
2019B Limited Tax Bonds	12,400,000	-	-	12,400,000	
Accrued Interest					
2019B Limited Tax Bonds	1,875,872	882,832	472,037	2,286,667	-
Subtotal Bonds Payable	<u>33,855,872</u>	<u>882,832</u>	<u>727,037</u>	<u>34,011,667</u>	<u>285,000</u>
Bond Premium/Discount:					
2019A Limited Tax Bonds	1,146,448	-	71,261	1,075,187	-
Subtotal Bond Premium / Discount	<u>1,146,448</u>	<u>-</u>	<u>71,261</u>	<u>1,075,187</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 35,002,320</u>	<u>\$ 882,832</u>	<u>\$ 798,298</u>	<u>\$ 35,086,854</u>	<u>\$ 285,000</u>

2019A and 2019B Senior and Subordinate General Obligation Limited Tax Bonds

On December 19, 2019, the District issued \$20,250,000 of senior and \$12,400,000 of subordinate general obligation limited tax bonds. The bonds were issued for the purpose of paying and discharging the outstanding Series 2009 Bonds, Series 2019 Note and Development Loan, and a portion of the Series 2010 Bond Anticipation Note held by Erie Commons Metro District No. 1, the duly quasi-municipal corporation and political subdivision of the state of Colorado. The bond proceeds were transferred to Erie Commons Metro District No. 1.

The Series 2019A Senior Bonds bear an interest yield rate of 3.2% and a coupon interest rate of 3-5% per annum which is payable semi-annually on June 1 and December 1, commencing on June 1, 2020, and on the maturity dates of the Series 2019A Senior Bonds, subject to optional and mandatory sinking fund redemption prior to maturity. The Series 2019A Senior Bonds will mature on December 1, 2049. The Series 2019A Senior Bonds will constitute limited tax general obligations of the District payable solely from the Senior Pledged Revenue and certain District Funds and accounts established by the Senior Pledged Revenue, which consists primarily of the revenues derived from a District property tax levy of not more than 46.709 mills (subject to adjustment, and equal to 52.000 mills for fiscal year 2022, as described herein), and the portion of the specific ownership taxes on motor vehicles imposed by the state of Colorado. The Series 2019A Senior Bonds will constitute an irrevocable, but nonexclusive, first lien on the Senior Pledged Revenue and the amounts in such funds and accounts. The District made \$255,000 of principal payments in 2023. The District made \$727,200 of interest payments in 2023 and incurred \$737,826 in interest expense for the year ended December 31, 2023, for these bonds.

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

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

2019A and 2019B Senior and Subordinate General Obligation Limited Tax Bonds
(Continued)

The 2019B Subordinate Bonds bear an interest yield rate of 6.94% and a coupon interest rate of 6.95% per annum which is payable annually on December 15, commencing December 15, 2020, subject to the extent of available Subordinate Pledged Revenue. To the extent interest on the 2019B Subordinate Bonds is not paid when due, such interest shall compound on each interest payment date of December 15. The 2019B Subordinate bonds mature on December 15, 2054. The 2019B Subordinate Bonds will also constitute limited tax general obligations of the District payable solely from the Subordinate Pledged Revenue and certain District Funds and accounts established by the Subordinate Pledged Revenue, which consists primarily of the revenues derived from a District property tax levy of not more than 46.709 mills (subject to adjustment, and equal to 52.000 mills for fiscal year 2022, as described herein), and the portion of the specific ownership taxes on motor vehicles imposed by the state of Colorado. The Series 2019B Subordinate Bonds are structured as cash flow bonds. There are no scheduled payments of principal of the Series 2019B Subordinate Bonds prior to their maturity date, but rather the Subordinate Bonds are subject to mandatory redemption on each December 15 prior to maturity from and to the extent of any available Subordinate Pledged Revenues. All Series 2019B Subordinate Bonds and interest thereon will be deemed to be paid, satisfied, and discharged on December 16, 2054, regardless of the amount of principal and interest paid on the Series 2019B Subordinate Bonds prior to such date. The District made \$472,037 of interest payments in 2023 and incurred \$882, 832 in interest expense for the year ended December 31, 2023, for these bonds.

The District's long-term obligations relating to the 2019A Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 285,000	\$ 714,450	\$ 999,450
2025	295,000	700,200	995,200
2026	315,000	685,450	1,000,450
2027	330,000	669,700	999,700
2028	375,000	653,200	1,028,200
2029-2033	2,370,000	2,954,000	5,324,000
2034-2038	3,465,000	2,278,300	5,743,300
2039-2043	4,640,000	1,527,450	6,167,450
2044-2048	5,910,000	749,100	6,659,100
2049	1,340,000	40,200	1,380,200
Total	<u>\$ 19,325,000</u>	<u>\$ 10,972,050</u>	<u>\$ 30,297,050</u>

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

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

A majority of the District's qualified electors of the District authorized the issuance of indebtedness for capital improvements for capital improvements in an amount not to exceed \$22,300,000 on November 4, 2023, \$22,300,000 on November 2, 2024, and \$120,000,000 on November 1, 2025, at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 4, 2003	Amount Authorized on November 2, 2004	Amount Authorized on November 1, 2005	Authorization Used Series 2019A & 2019B Bonds	Authorized But Unused
Street Improvements	\$ 9,000,000	\$ 9,000,000	\$ 20,000,000	-	\$ 38,000,000
Traffic and Safety	3,000,000	3,000,000	20,000,000	-	26,000,000
Sanitary Sewer	1,000,000	1,000,000	20,000,000	-	22,000,000
Water	1,500,000	1,500,000	20,000,000	-	23,000,000
Parks & Recreation	7,500,000	7,500,000	20,000,000	-	35,000,000
Transportation	100,000	100,000	-	-	200,000
Television Relay	100,000	100,000	-	-	200,000
Mosquito & Pest Control	100,000	100,000	20,000,000	-	20,200,000
Operations & Maintenance	500,000	500,000	20,000,000	-	21,000,000
Capital and O&M	-	-	36,000,000	-	36,000,000
Construction Management	-	-	10,000,000	-	10,000,000
Refunding Bonds	22,300,000	22,300,000	36,000,000	-	80,600,000
Intergovernmental	22,800,000	22,800,000	-	32,235,000	13,365,000
Private Entity Debt	7,000,000	7,000,000	36,000,000	-	50,000,000
Debrucing O&M	-	-	2,000,000	-	2,000,000
Total	\$ 74,900,000	\$ 74,900,000	\$ 260,000,000	\$ 32,235,000	\$ 377,565,000

In the future, the District may issue a portion or all 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.

NOTE 5 NET POSITION

The District has net position consisting of two components – restricted 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:

Restricted Net Position:

Emergencies	<u>\$ 8,200</u>
Total Restricted Net Position	<u><u>\$ 8,200</u></u>

The District has a deficit in unrestricted net position.

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

NOTE 6 RELATED PARTY

Three of the five members of the Board of Directors are employees and are associated with Bellock Construction Company, accountants for the District, and Community Development Group of Erie, Inc. (CDG of Erie, Inc.), the developer within the District. During 2023, Districts No. 1 and No. 2 had three of five of the same Board of Directors.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company during March 2003. This agreement was subsequently amended on March 25, 2004. Under this amended agreement, accounting services are provided to the District at the annual hourly rates of Bellock Construction Company employees. During 2023, the District transferred its accounting services to Clifton Larson Allen's client accounting and advisory services. The District subsequently terminated its auditing arrangement with Clifton Larson Allen to avoid conflict of interest.

NOTE 7 AGREEMENTS

District Facilities Construction and Service Agreement (Service Contract)

To implement the Service Plan, the District entered into an intergovernmental agreement with District No. 1. The agreement shall remain in full force and effect until such time as each of the terms and conditions has been performed in their entirety or until the agreement is terminated by mutual written agreement of the Districts.

District No. 1 is to construct the facilities benefiting the two Districts and transfer them to the Town of Erie or the Homeowner's Association (HOA). The District will, to the extent that it benefits, pay the capital costs and the service costs of operation and maintenance of such facilities (authorized service costs), until the facilities are transferred to the Town of Erie or the HOA.

The District is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the Districts disagree as to the amount to be paid, then the District must pay District No. 1 the amount set forth in the annual budget. The mill levy cap shall be subject to automatic adjustment if, after the original date of approval of the Service Plan, the laws of the state change with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occur.

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

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

The District pays annual premiums to the Pool for liability 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, referred to 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.

On November 5, 2005, and November 4, 2003, most of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

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% 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 follows 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 and qualification as an enterprise, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**ERIE COMMONS METROPOLITAN DISTRICT NO.2
SUMMARY OF ASSESSED VALUATION, MILL LEV AND
PROPERTY TAXES COLLECTED YEAR ENDED 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	
2018/2019	\$ 24,965,080	0.0%	27.498	27.777	55.275	\$ 1,379,945	\$ 1,363,622	98.82 %
2019/2020	28,941,070	15.9%	3.663	52.000	55.663	1,610,947	1,486,361	92.27 %
2020/2021	23,853,840	-17.6%	3.663	52.000	55.663	1,327,776	1,327,423	99.97 %
2021/2022	25,035,383	5.0%	3.663	52.000	55.663	1,393,545	1,393,545	100.00 %
2022/2023	24,896,421	-0.6%	3.765	53.455	57.220	1,424,573	1,424,485	99.99 %
Estimated for Year Ending December 31, 2024	\$ 33,431,139	34.3%	5.950	58.000	63.950	\$ 2,137,921		

Note:

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