

**AEROTROPOLIS AREA
COORDINATING METROPOLITAN
DISTRICT
Adams County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019**

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	26

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Aerotropolis Area Coordinating Metropolitan District
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Aerotropolis Area Coordinating Metropolitan District (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Aerotropolis Area Coordinating Metropolitan District, as of December 31, 2019, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

Fiscal Focus Partners, LLC

Other Matters

Economic Dependency

As disclosed in Note 9 to the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer of the District's service area for funding of continued operations.

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 opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 11, 2020

BASIC FINANCIAL STATEMENTS

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 2,041,399
Accounts Receivable	462,659
Prepaid Insurance	12,440
Capital Assets:	
Capital Assets, Not Being Depreciated	24,700,213
Capital Assets, Net of Accumulated Depreciation	59,364
Total Assets	27,276,075
LIABILITIES	
Accounts Payable	1,996,586
Retainage Payable	499,414
Noncurrent Liabilities:	
Due in More Than One Year	22,698,993
Total Liabilities	25,194,993
NET POSITION	
Net Investment in Capital Assets	423,858
Restricted for:	
Emergencies (TABOR)	2,000
Unrestricted	1,655,224
Total Net Position	\$ 2,081,082

See accompanying Notes to Basic Financial Statements.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS					Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 791,992	\$ -	\$ 63,000	\$ 5,187,291	\$ 4,458,299
Interest and Related Costs on Long-Term Debt	935,247	-	-	-	(935,247)
Total Governmental Activities	\$ 1,727,239	\$ -	\$ 63,000	\$ 5,187,291	3,523,052
GENERAL REVENUES					
					101,577
					101,577
CHANGE IN NET POSITION					3,624,629
					(1,543,547)
NET POSITION - END OF YEAR					\$ 2,081,082

See accompanying Notes to Basic Financial Statements.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments - Restricted	\$ 1,538	\$ 2,039,861	\$ 2,041,399
Accounts Receivable	452	462,207	462,659
Prepaid Insurance	12,440	-	12,440
Total Assets	14,430	2,502,068	2,516,498
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts Payable	\$ 70,672	\$ 1,925,914	\$ 1,996,586
Retainage Payable	-	499,414	499,414
Total Liabilities	70,672	2,425,328	2,496,000
FUND BALANCES (DEFICITS)			
Nonspendable:			
Prepaid Amounts	12,440	-	12,440
Restricted for:			
Emergencies (TABOR)	2,000	-	2,000
Capital Projects	-	76,740	76,740
Unassigned	(70,682)	-	(70,682)
Total Fund Balances (Deficits)	(56,242)	76,740	20,498
Total Liabilities and Fund Balances (Deficits)	\$ 14,430	\$ 2,502,068	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			24,759,577
Long-term liabilities, including developer advances, are not due and payable in the current period and, therefore, are reported in the funds.			
Obligation to Town Center Metropolitan District			(710,869)
Developer Advances			(21,045,711)
Accrued Interest - Developer Advances			(942,413)
Net Position of Governmental Activities			\$ 2,081,082

See accompanying Notes to Basic Financial Statements.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	General	Capital Projects	Total Governmental Funds
REVENUES			
Net Investment Income	\$ -	\$ 101,577	\$ 101,577
Intergovernmental Revenue - ARTA	-	4,548,956	4,548,956
Developer Reimbursement	-	638,335	638,335
Transfer from First Creek Ranch Metro District	63,000	-	63,000
Total Revenues	<u>63,000</u>	<u>5,288,868</u>	<u>5,351,868</u>
EXPENDITURES			
Current:			
Accounting	86,358	17,038	103,396
Audit	5,500	-	5,500
District Management	84,270	-	84,270
Dues and Licenses	1,492	-	1,492
Insurance	16,176	-	16,176
Legal	201,185	206,222	407,407
Miscellaneous	448	5,038	5,486
Bond issue costs	-	56,805	56,805
Construction Trailer Utilities	-	7,728	7,728
Crop Impact - Payment for Damages	-	100,347	100,347
Capital:			
Capital Outlay - District Assets	-	62,749	62,749
Capital Outlay - Construction in Process	-	23,136,861	23,136,861
Total Expenditures	<u>395,429</u>	<u>23,592,788</u>	<u>23,988,217</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(332,429)	(18,303,920)	(18,636,349)
OTHER FINANCING SOURCES (USES)			
Developer Advances	316,099	17,899,107	18,215,206
Repayment of Developer Advances	-	(1,438,828)	(1,438,828)
Developer Advance Interest	-	(46,965)	(46,965)
Total Other Financing Sources (Uses)	<u>316,099</u>	<u>16,413,314</u>	<u>18,168,241</u>
NET CHANGE IN FUND BALANCES	(16,330)	(1,890,606)	(1,906,936)
Fund Balances (Deficits) - Beginning of Year	<u>(39,912)</u>	<u>1,967,346</u>	<u>1,927,434</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (56,242)</u>	<u>\$ 76,740</u>	<u>\$ 20,498</u>

See accompanying Notes to Basic Financial Statements.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (1,906,936)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital related activity in the current period.

Capital Outlay	23,199,610
Depreciation Expense	(3,385)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Developer Advances	(18,215,206)
Repayment of Developer Advances	1,438,828

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

Accrued Interest on Town Center Obligation - Change in Liability	(27,857)
Accrued Interest on Developer Advances - Change in Liability	(860,425)

Change in Net Position of Governmental Activities	\$ 3,624,629
---	--------------

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ 100	\$ -	\$ -	\$ -
Transfer from First Creek Ranch MD	64,816	63,031	63,000	(31)
Total Revenues	<u>64,916</u>	<u>63,031</u>	<u>63,000</u>	<u>(31)</u>
EXPENDITURES				
Accounting	50,000	85,000	86,358	(1,358)
Audit	5,000	5,500	5,500	-
District Management	35,000	83,000	84,270	(1,270)
Dues and Licenses	2,000	1,492	1,492	-
Insurance	30,000	15,217	16,176	(959)
Legal	160,000	200,000	201,185	(1,185)
Miscellaneous	-	1,000	448	552
Contingency	8,000	18,791	-	18,791
Total Expenditures	<u>290,000</u>	<u>410,000</u>	<u>395,429</u>	<u>14,571</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(225,084)	(346,969)	(332,429)	14,540
OTHER FINANCING SOURCES (USES)				
Developer Advance	224,000	390,000	316,099	(73,901)
Total Other Financing Sources (Uses)	<u>224,000</u>	<u>390,000</u>	<u>316,099</u>	<u>(73,901)</u>
NET CHANGE IN FUND BALANCE	(1,084)	43,031	(16,330)	(59,361)
Fund Balance (Deficit) - Beginning of Year	<u>3,325</u>	<u>(39,912)</u>	<u>(39,912)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 2,241</u>	<u>\$ 3,119</u>	<u>\$ (56,242)</u>	<u>\$ (59,361)</u>

See accompanying Notes to Basic Financial Statements.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 DEFINITION OF REPORTING ENTITY

Aerotropolis Area Coordinating Metropolitan District (the District), formerly known as Green Valley Ranch East Metropolitan District No. 1, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court in and for Adams County, Colorado on December 7, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a First Amended and Restated Service Plan approved by the City of Aurora (City) on October 16, 2017 (the Service Plan). The District's service area is located in Adams County, Colorado, entirely within the City. The District was formed in conjunction with seven other metropolitan districts: The Aurora Highlands Metropolitan District Nos. 1-3 (formerly known as Green Valley Ranch East Metropolitan District Nos. 2-4), Green Valley Aurora Metropolitan District No. 1 (formerly known as Green Valley Ranch East Metropolitan District No. 5) (collectively, the Districts), and Green Valley Ranch East Metropolitan District Nos. 6-8 (collectively, the GVRE Districts).

As set forth in the District's Service Plan, the primary purpose of the District is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements (as defined in the Service Plan). The District's Service Plan does not authorize the District to provide fire protection, television relay and translation services, or golf course construction unless the District enters into an intergovernmental agreement with the City. The District is also authorized to provide for the funding of Regional Improvements pursuant to the Aerotropolis Regional Transportation Authority (ARTA) Establishment Agreement or the Regional Intergovernmental Improvements Agreement described in the Service Plan and Note 6. Except for park and recreational facilities, the operation and maintenance of most District services and facilities is anticipated to be provided by the City or ARTA.

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.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources 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 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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

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

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

Budgets

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

The District amended its annual budget for the year ended December 31, 2019.

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.

Capital Assets

Capital assets, which include property and infrastructure improvements, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Any construction in process that will be dedicated to another entity is not depreciated.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Construction Trailer	10 years
Furniture and Equipment	5 years

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.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deficits

The following individual fund had a deficit reported in the fund financial statements as of December 31, 2019:

General Fund	<u>\$ (56,242)</u>
--------------	--------------------

It is anticipated that this deficit will be eliminated with developer advances in 2020.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 2,041,399
Total Cash and Investments	<u>\$ 2,041,399</u>

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	\$ 322,271
Investments	1,719,128
Total Cash and Investments	<u>\$ 2,041,399</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.

At December 31, 2019, the District's cash deposits had a bank balance of \$610,529 and a carrying balance of \$322,271.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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

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

As of December 31, 2019, 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	\$ 1,719,128
		<u>\$ 1,719,128</u>

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 is 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. 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 is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost, and the District records its investments in CSAFE at net asset value using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance - December 31, 2018	Additions	Retirement	Balance - December 31, 2019
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 1,563,352	\$ 23,136,861	\$ -	\$ 24,700,213
Total Capital Assets, Not Being Depreciated	<u>1,563,352</u>	<u>23,136,861</u>	<u>-</u>	<u>24,700,213</u>
Capital Assets, Being Depreciated				
Construction Trailer	-	57,792	-	57,792
Construction Trailer Furniture and Equipment	-	4,957	-	4,957
Total Capital Assets, Being Depreciated	<u>-</u>	<u>62,749</u>	<u>-</u>	<u>62,749</u>
Less Accumulated Depreciation for:				
Construction Trailer	-	(2,889)	-	(2,889)
Construction Trailer Furniture and Equipment	-	(496)	-	(496)
Total Accumulated Depreciation	<u>-</u>	<u>(3,385)</u>	<u>-</u>	<u>(3,385)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>59,364</u>	<u>-</u>	<u>59,364</u>
Governmental Activities - Capital Assets, Net	<u>\$ 1,563,352</u>	<u>\$ 23,196,225</u>	<u>\$ -</u>	<u>\$ 24,759,577</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General Government	<u>\$ 3,385</u>

The District anticipates it will convey ownership and maintenance of most capital assets to other governmental entities for ownership and maintenance.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2019:

	Restated Balance - December 31, 2018	Additions	Retirements	Balance - December 31, 2019	Due Within One Year
Governmental Activities					
Advances from HC Development					
Operations	\$ 97,275	\$ -	\$ -	\$ 97,275	\$ -
Accrued Interest	42,367	6,809	-	49,176	-
Advances from TAH LLC					
Operations	119,571	316,099	-	435,670	-
Accrued Interest	2,862	21,507	-	24,369	-
Capital	4,052,487	17,899,107	1,438,828	20,512,766	-
Accrued Interest	36,759	879,074	46,965	868,868	-
Town Center MD Cost					
Reimbursement Agreement					
Principal	348,207	-	-	348,207	-
Accrued Interest	334,805	27,857	-	362,662	-
Total	<u>\$ 5,034,333</u>	<u>\$ 19,150,453</u>	<u>\$ 1,485,793</u>	<u>\$ 22,698,993</u>	<u>\$ -</u>

Operation Funding Agreements

The District has entered into three operation funding agreements with prior and current developers to provide funds to the District for operation and maintenance expenses incurred by the District, as follows:

On January 19, 2005, the District and HC Development & Management Services, Inc. (HC Development) entered into an Advance and Reimbursement Agreement (ARA) to provide funds to the District for construction, maintenance and operations costs. Per the terms of the ARA, the District is to reimburse HC Development for any advances plus interest at the rate of 7% per annum, subject to annual appropriation and budget approval from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses. The ARA shall continue until fully performed or terminated by mutual agreement. As of December 31, 2019, outstanding advance under the ARA totaled \$146,451, including \$49,176 of accrued interest.

The District and Aurora Highlands, LLC (TAH LLC) (the Developer) entered into a 2017-2018 Operation Funding Agreement (OFA) on July 20, 2018 (effective as of January 1, 2017). Per the OFA, the Developer agrees to advance funds for ongoing operations and maintenance expenses incurred by the District through December 31, 2018 in an amount not to exceed \$65,000 (Shortfall Amount). The District agrees to repay the advances from funds available after the payment of any debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget appropriation. Simple interest shall accrue on each advance from the date of deposit at the rate of 8% per annum. On November 13, 2018, the OFA was amended to increase the Shortfall Amount from

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Operation Funding Agreements (Continued)

\$65,000 to \$500,000. The District and the Developer also entered into a 2019 Operation Funding Agreement to be effective January 1st of the 2019 fiscal year, as amended on November 21 2019 to increase the shortfall amount to \$705,000 and to extend the term of the 2019 OFA through 2020. As of December 31, 2019, outstanding operations advances of the Developer under both agreements totaled \$460,039, including accrued interest of \$24,369.

Facilities Funding and Acquisition Agreements

The District and the Developer entered into a First Amended and Restated Facilities Funding and Acquisition Agreement (FFAA) on August 23, 2018 (Amended FFAA) to amend and restate the earlier Facilities Funding and Acquisition Agreement dated July 20, 2017 and effective as of January 1, 2017.

Pursuant to the Amended FFAA, the Developer agreed to make advances to the District not to exceed \$20,000,000, including contingencies and related administrative costs (Shortfall Amount) without prior authorization for Construction Related Expenses (as defined in the Amended FFAA) on a periodic basis and as needed through the 2058 fiscal year, and the District agreed, in reliance on the Developer's commitment to provide funding, to design, construct, and complete certain public improvements, to acquire public improvements completed by the Developer, and to reimburse the Developer for amounts advanced to the District when funding is available.

The cost of the Improvements to be acquired by the District, the Aurora Regional Transportation Authority (ARTA), and other appropriate governmental entities pursuant to the Amended FFAA are to be certified by an independent engineer as being reasonable and comparable for similar projects constructed in the local community. Amounts advanced to the District by the Developer for the verified cost of Construction Related Expenses are to accrue interest at the rate of 8% per annum for District Improvements and 9% per annum for ARTA Improvements (as defined in the Amended FFAA). On July 3, 2019, \$1,438,828 of principal and \$46,965 of accrued interest for ARTA Improvements was repaid to the developer. Concurrently, \$1,438,828 was advanced to the District at an interest rate of 8% per annum. No payment shall be required of the District unless and until the District issues bonds in an amount sufficient to reimburse the Developer for all or a portion of the Improvement costs. As of December 31, 2019, outstanding capital advances totaled \$21,381,634, including accrued interest of \$868,868.

Restated Agreement for Reimbursement of Costs

On January 11, 2017, the District (then known as Green Valley Ranch East Metropolitan District No. 1) together with Green Valley Ranch East Metropolitan District Nos. 2 through 5 (now known as The Aurora Highlands Metropolitan District Nos. 1 through 3 and Green Valley Aurora Metropolitan District No. 1), entered into a Restated Agreement for Reimbursement of Costs (Restated Reimbursement Agreement) with Town Center Metropolitan District (Town Center) to reimburse Town Center for the costs of certain street improvements.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Restated Agreement for Reimbursement of Costs (Continued)

The Restated Reimbursement Agreement superseded the 2008 and 2010 Agreements for Reimbursement of Costs (Prior Reimbursement Agreements) and allocated the street improvements reimbursement obligation established in the Prior Reimbursement Agreements by and among the District and Green Valley Ranch East Metropolitan District Nos. 6 and 7 (GVRE Districts). Pursuant to the Restated Reimbursement Agreement, the District shall pay Town Center 25% of the street improvements costs plus the accrued simple interest at the rate of 8% per annum (the GVRE Districts shall pay 75% of such costs). As of December 31, 2019, the District's share of the street improvement costs owed to Town Center was \$348,207 plus \$362,662 of accrued interest.

Authorized Debt

On November 7, 2017, a voting majority of the qualified electors of the District authorized the issuance of general obligation debt totaling \$104,000,000,000 at an interest rate not to exceed 18% per annum. This election supersedes all prior elections. At December 31, 2019, the District had authorized, but unissued general obligation indebtedness in the following amounts for the following purposes:

	Authorized November 7, 2017 Election	Authorization Used	Remaining at December 31, 2019
Streets	\$ 8,000,000,000	\$ -	\$ 8,000,000,000
Water Supply System	8,000,000,000	-	8,000,000,000
Storm and Sanitary Sewer	8,000,000,000	-	8,000,000,000
Parks and Recreation	8,000,000,000	-	8,000,000,000
Mosquito Control	8,000,000,000	-	8,000,000,000
Fire Protection	8,000,000,000	-	8,000,000,000
Television Relay/Translation	8,000,000,000	-	8,000,000,000
Public Transportation	8,000,000,000	-	8,000,000,000
Traffic and Safety Controls	8,000,000,000	-	8,000,000,000
Debt Refunding	8,000,000,000	-	8,000,000,000
Operations and Maintenance	8,000,000,000	-	8,000,000,000
Intergovernmental Agreements	8,000,000,000	-	8,000,000,000
Security	8,000,000,000	-	8,000,000,000
Total	<u>\$ 104,000,000,000</u>	<u>\$ -</u>	<u>\$ 104,000,000,000</u>

Per the District's Service Plan, the District is prohibited from issuing debt in excess of \$8,000,000,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 AGREEMENTS

Intergovernmental Agreement with Aurora

The District and the City are parties to an Intergovernmental Agreement (City IGA) dated October 30, 2017, pursuant to the requirements of the Service Plan. Under the City IGA, the District covenants to dedicate public improvements to the City or other appropriate jurisdiction, and covenants that all improvements will be constructed in compliance with the City's standards and specifications. The City IGA states that the District is authorized to operate and maintain improvements that are not dedicated to the City or another entity. Pursuant to the District's Service Plan and the Intergovernmental Agreement Regarding Imposition, Collection, and Transfer of ARI Mill Levies by and between the District and ARTA dated May 22, 2019 (ARI Mill Levy IGA), the District is required to impose a mill levy for Aurora Regional Improvements (ARI Mill Levy) in each year the District imposes a debt service mill levy. When imposed, the tax revenues derived from the ARI Mill Levy (which shall be five (5.00) mills, plus Gallagher Adjustment, minus any ARTA Mill Levy) from property located within the ARTA boundaries shall be remitted to ARTA for payment of the costs associated with the planning, design, permitting, construction, acquisition, and financing of the regional transportation system improvements described in the ARI Master Plan. The District does not currently impose this mill levy because the District does not impose a debt service mill levy. The District shall cease to be obligated to impose the ARI Mill Levy at such time as the area within the District's boundaries is included within a different district organized under the Special District Act, a Business Improvement District, or a General Improvement District which has been organized to fund a part or all of the Regional Improvements. The maximum mill levy the District is permitted to levy for the payment of debt is 50.000 mill (subject to the Gallagher Adjustment) for so long as the debt to assessed ratio of the District exceeds 50%. The District shall not impose a debt service mill levy which exceeds 60 years after the year of the initial imposition of such mill levy unless a majority of the Board of Directors are residents of the District and have voted in favor of a refunding of a part or all of the District's debt and such refunding will result in a net present value savings.

Intergovernmental Agreement Regarding Sharing of Tax Revenue

On October 20, 2015, the District entered into an Intergovernmental Agreement Regarding Sharing of Tax Revenue (Tax IGA) with First Creek Ranch Metropolitan District (First Creek), Second Creek Ranch Metropolitan District (Second Creek), and Central Adams County Water and Sanitation District (Central Adams) in order to provide for the efficiency and management of revenues and expenses of all the districts subject to the Tax IGA. Pursuant to the Tax IGA, First Creek, Second Creek, and Central Adams agreed to remit all net tax revenues to the District. The District is to utilize such tax revenues to pay for the collective operations, administrative and capital infrastructure costs incurred by each of the districts, to the extent as allowed for and provided by each district's respective Service Plan. Further, for the benefit of all districts, the District is authorized to provide for the reimbursement of costs or other payables that may be owed to developers with whom each individual district may have a contractual advance and reimbursement agreement.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 AGREEMENTS (CONTINUED)

Aerotropolis Regional Transportation Authority Agreements

On February 27, 2018, Adams County Board of Commissioners (County), the City and the District entered into an Intergovernmental Agreement Establishing the Aerotropolis Regional Transportation Authority (ARTA). The purpose of ARTA is to construct or cause to have constructed a Regional Transportation System within or outside the boundaries of ARTA for the primary benefit of those residing or owning property within the boundaries through the issuance on bonded indebtedness. The Regional Transportation System improvements will be conveyed to the appropriate governing jurisdiction, regardless of whether such jurisdiction is a member of ARTA, for ownership, operation, maintenance, repair, and replacement. On November 7, 2017, eligible voters within ARTA authorized the incurrence of general obligation debt totaling \$600,000,000 at an interest rate not to exceed 9% per annum for funding the Regional Transportation System improvements. Sources of revenue from within the boundaries of ARTA for the repayment of the bonded indebtedness include: (1) City - 100% of City Use Tax on construction materials less 0.25% dedicated to increasing staffing of the City police department and operation and maintenance of the City detention facilities and 100% of a City Transportation Impact Fee for residential development; (2) County - 50% of County General Fund Property Tax and 100% of County Road and Bridge Fund Tax; and (3) District - 100% of a mill levy of 5.000 mills on all taxable real property through the imposition of an ARTA Mill Levy, imposed either by the District or by ARTA. The ARTA Mill Levy will replace the ARI Mill Levy to the extent that the ARTA Mill Levy is not less than 5.000 mills (as adjusted by the Gallagher Adjustment) in any tax collection year.

As there is no funding source available to ARTA upon initial establishment, ARTA, the County, the City, and the District entered into the Aerotropolis Regional Transportation Authority Member Contribution Funding Agreement, dated September 5, 2018 (Funding IGA). Pursuant to the Funding IGA, each of the members agreed to make a one-time funding contribution to ARTA in the amount of \$350,000 to support the initial operations of ARTA. ARTA has no obligation to reimburse, repay or otherwise refund the funding contributions. The District paid its \$350,000 contribution to ARTA in 2018.

On August 23, 2018, the District and ARTA entered into an Intergovernmental Agreement for Project Funding and Reimbursement for Initial Design of ARTA Phase I Improvements (Phase I Agreement). The Regional Transportation System contemplated in the establishment of ARTA included design of certain improvements (Phase I Improvements), together with such adjacent improvements that are an integrated part of the roads included in the Phase I Improvements (Adjacent Improvements). As ARTA does not have funds available to begin the design of the Phase I Improvements or Adjacent Improvements, it was agreed that the District shall fund the Initial Design and the Adjacent Improvements Initial Design on behalf of ARTA in an amount not to exceed \$750,000. The District shall coordinate, administer and oversee the preparation of all budgets, timetables, and other documents pertaining to the Initial Design and the Adjacent Improvements, as well as engage engineers, surveyors, and other consultants pertaining to the Initial Design and the Adjacent Improvements as required.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 AGREEMENTS (CONTINUED)

Aerotropolis Regional Transportation Authority Agreements (Continued)

The Initial Design Costs and Adjacent Improvements Initial Design Costs will be subject to verification by a third party engineer. ARTA agrees to make payment to the District for all verified costs, together with interest thereon at the rate of nine percent (9%) per annum, at such time when ARTA issues bonds or any other indebtedness or contractual obligation in an amount sufficient to pay the verified costs and interest thereon.

On January 15, 2019, ARTA and the District entered into the First Amended and Restated Intergovernmental Agreement for Project Funding and Reimbursement for Design and Construction of Phase I Improvements (Amended Phase I Agreement). The Amended Phase I Agreement increased the Interim Phase I Funding amount from \$750,000 to \$6,635,000, plus applicable interest. ARTA shall make payments on the amounts due out of the first available proceeds of any bonds and pledged revenues and may, at its discretion, make such payments from any other legally available revenues of ARTA.

On June 26, 2019, ARTA issued \$19,290,000 of Special Revenue Bonds, Series 2019 (Series 2019 Bonds). Upon issuance of the Series 2019 Bonds, ARTA has repaid the amounts owing to the District, plus accrued interest.

On May 22, 2019, the District and ARTA entered into the Intergovernmental Agreement Regarding Management of the Design and Construction of the Aerotropolis Regional Transportation Authority Regional Transportation System (Project Management IGA), and the Intergovernmental Agreement Regarding Interim Maintenance of Aerotropolis Regional Transportation Authority Regional Transportation System Improvements (Interim Maintenance IGA). The Project Management IGA obligates the District to coordinate, administer, and oversee (i) the preparation of all budgets, schedules, contracts, and other documents pertaining to; and (ii) to design and construct the development of ARTA regional transportation system improvements. No more frequently than once a month, the District may submit a draw request to ARTA for payment of the verified costs incurred in performance of the District's obligations under the Project Management IGA. The District will operate and maintain the ARTA regional transportation system improvements and certain other ancillary, connective improvements prior to final acceptance by the City or other appropriate accepting jurisdiction pursuant to the Project Management IGA, and the costs associated with such interim maintenance are to be reimbursed by ARTA to the District.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 AGREEMENTS (CONTINUED)

The Aurora Highlands Community Authority Board Establishment Agreement

On November 21, 2019, the District, The Aurora Highlands Metropolitan District Nos. 1-3 (TAH Nos. 1-3), and ATEC Metropolitan District Nos. 1-2 (ATEC Nos. 1-2) (collectively the CAB Districts), formed The Aurora Highlands Community Authority Board (CAB) pursuant to the CAB Establishment Agreement (as subsequently amended) to govern the relationships between and among the CAB Districts with respect to the financing, construction, and operation of public improvements within their combined service area. It is anticipated that one or more of the CAB Districts may enter into additional intergovernmental agreements concerning the financing, construction, and operation of public improvements benefitting the CAB Districts and their residents and owners. The CAB Districts have also pledged revenue for the interest and principal payments on any future CAB debt, which will come from the required debt service mill levies, associated specific ownership taxes, capital fees, and payments in lieu of tax revenues (PILOT) of the CAB Districts.

NOTE 7 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets	
Capital Assets, Net	\$ 2,485,867
Less: Capital Related Debt	
Noncurrent Portion of Long-Term Obligations	(2,062,009)
Net Investment in Capital Assets	\$ 423,858

The restricted component of net position consists of assets that are restricted for use either externally 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 of \$2,000 for Emergency Reserves as of December 31, 2019.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 RELATED PARTIES

The property within the District is owned by and is being developed by the Developer (TAH LLC) and/or entities affiliated with the Developer. The District has five board members, of which two board members are officers of, employees of, or associated with the Developer, one board member is the owner of a company that provides consulting services to the District. One board member provides legal counsel to the Developer; and one board member is employed by a master builder that is a party to contractual agreements with the Developer. As such, these board members may have conflicts of interest in dealing with the District.

NOTE 9 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay all operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 10 RISK MANAGEMENT

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

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

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

NOTE 11 COMMITMENTS AND CONTINGENCIES

As of December 31, 2019, the District had unexpended construction-related commitments of \$7,130,857.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 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 that apply to the State of Colorado and all local governments.

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

On November 7, 2017, a majority of the District's electors authorized the District to collect and spend or retain taxes of up to \$8,000,000,000 annually for operations and maintenance and any revenues from any other sources without regard to any limitations imposed by TABOR beginning in 2018. Additionally, the District electors authorized the District to collect, retain, and spend all revenue without regard to limitation under TABOR in 2017 and all subsequent years.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2019, the District had provided for but did not fully fund an Emergency Reserve, which may be a violation of the Constitutional Amendment.

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 13 SUBSEQUENT EVENT

On June 30, 2020, the CAB issued its Special Tax Revenue Draw-Down Bonds, Series 2020A (Series 2020A Bonds) with an estimated par amount of \$165,159,327 and a final maturity of December 15, 2059. The 2020A Bonds bear interest at the rate of 8% per annum which is payable from available pledged revenues on each December 15, beginning on December 15, 2020. The principal on the 2020A Bonds is payable at final maturity or upon optional redemption.

Pledged revenue for the interest and principal payments on the 2020A Bonds will come from the required debt service mill levies, associated specific ownership taxes, capital fees, and payments in lieu of tax revenues (PILOT) of the District, TAH Nos. 1-3 and ATEC Nos. 1-2. The required debt service mill levy is 75.277 (subject to Gallagher adjustment) for all Districts except ATEC Metropolitan District No. 2, which is 29.000 mills.

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 SUBSEQUENT EVENT (CONTINUED)

The initial draw down amount on the Series 2020A Bonds was \$39,439,307. Proceeds of the bond draw were used to reimburse principal and accrued interest on the District's capital developer advances, purchase capital infrastructure from the Developer, fund current capital expenditures, establish a District construction reserve, and pay the costs of issuance of the initial draw down.

Simultaneously with the issuance of the 2020A Bonds, the CAB issued its Subordinate Special Tax Revenue Draw-Down Bonds, Series 2020B (Series 2020B Bonds) with an estimated par amount of \$32,338,830 and a final maturity of December 15, 2059. The 2020B Bonds bear interest at the rate of 9% per annum which is payable on December 15, beginning on December 15, 2020, to the extent that pledged revenue is available after payments due on the 2020A Bonds have been satisfied.

Pledged revenue for the interest and principal payments on the 2020B Bonds are a subordinate lien on the pledged revenues of 2020A Bonds.

The initial draw down amount on the Series 2020B Bonds was \$596,781. Proceeds of the bond draw were used to reimburse principal and accrued interest on certain of the District's capital developer advances, pay estimated annual administrative costs of the District, fund certain current capital expenditures, and pay the costs of issuance of the initial draw down.

SUPPLEMENTARY INFORMATION

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenue - ARTA	\$ 14,370,000	\$ 4,548,956	\$ (9,821,044)
Developer Reimbursement	-	638,335	638,335
Net Investment Income	-	101,577	101,577
Total Revenues	<u>14,370,000</u>	<u>5,288,868</u>	<u>(9,081,132)</u>
EXPENDITURES			
Current:			
Accounting	-	17,038	(17,038)
Bond issue costs	900,000	56,805	843,195
Construction Trailer Utilities	-	7,728	(7,728)
Crop Impact - Payment for Damages	-	100,347	(100,347)
Legal	-	206,222	(206,222)
Miscellaneous	-	5,038	(5,038)
Capital Outlay:			
Architecture	-	94,063	(94,063)
Camera Monitoring	-	22,968	(22,968)
Civil Engineering	2,000,000	1,266,080	733,920
Construction Assistance	250,000	224,817	25,183
Construction Trailer	-	57,792	(57,792)
Construction Trailer Furniture/Equipment	-	4,957	(4,957)
Cost Verification	-	98,073	(98,073)
Dry Utilities	6,750,000	355,826	6,394,174
Engineering	-	415,978	(415,978)
Entry Monument	5,000,000	2,208,405	2,791,595
GIS Services	-	61,105	(61,105)
Grading/Earthwork	554,000	1,110,943	(556,943)
Infrastructure Improvements - ARTA	14,370,000	4,548,956	9,821,044
Infrastructure Improvements - Developer	-	638,335	(638,335)
Interchanges	2,365,000	41,425	2,323,575
Landscape/Planning	3,000,000	709,621	2,290,379
Monument Design	50,000	68,650	(18,650)
Permits & Fees	-	32,668	(32,668)
Plan Review	100,000	-	100,000
Program Management	420,000	307,357	112,643
Project Assistance	420,000	219,139	200,861
Sanitary Sewer Interceptor	4,100,000	3,530,632	569,368
Storm Drainage /Erosion Control	4,000,000	1,213,951	2,786,049
Storm Water Management	-	202,498	(202,498)
Streets	34,113,500	1,460,539	32,652,961
Surety	-	176,113	(176,113)
Surveying	750,000	250,628	499,372
Trib T Geomorphology	750,000	765,154	(15,154)
Utilities	5,591,000	3,045,785	2,545,215
Water	-	67,152	(67,152)
Contingency	269,500	-	269,500
Total Expenditures	<u>85,753,000</u>	<u>23,592,788</u>	<u>62,160,212</u>

**AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

(Continued)

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(71,383,000)	(18,303,920)	53,079,080
 OTHER FINANCING SOURCES (USES)			
Developer Advance	10,733,000	17,899,107	7,166,107
Repayment of Developer Advances	(14,350,000)	(1,438,828)	12,911,172
Developer Advance Interest	-	(46,965)	(46,965)
Bond Proceeds	75,000,000	-	(75,000,000)
Transfer from (to) Other Funds	-	-	-
Total Other Financing Sources (Uses)	<u>71,383,000</u>	<u>16,413,314</u>	<u>(54,969,686)</u>
 NET CHANGE IN FUND BALANCE	 -	 (1,890,606)	 (1,890,606)
 Fund Balance - Beginning of Year	 -	 1,967,346	 1,967,346
 FUND BALANCE - END OF YEAR	 <u>\$ -</u>	 <u>\$ 76,740</u>	 <u>\$ 76,740</u>