AEROTROPOLIS AREA
COORDINATING METROPOLITAN DISTRICT
Adams County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
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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, 2020, 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, 2020, 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.

Fiscal Focus Partners, LLC

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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
January 28, 2022

BASIC FINANCIAL STATEMENTS

AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	$ 18,868
Cash and Investments - Restricted	368,024
Accounts Receivable	8,833
ARTA Advance Funding Receivable	3,497,402
Prepaid Insurance	28,071
Capital Assets:	
Capital Assets, Not Being Depreciated	678,014
Capital Assets, Net of Accumulated Depreciation	52,593
Total Assets	4,651,805
LIABILITIES	
Accounts Payable	5,021,118
Retainage Payable	2,013,836
Due to TAHCAB	20,000
Noncurrent Liabilities:	
Due in More Than One Year	420,906
Total Liabilities	7,475,860
NET POSITION	
Net Investment in Capital Assets	52,593
Restricted for:	
Emergencies (TABOR)	1,100
Unrestricted	(2,877,748)
Total Net Position	$ (2,824,055)

See accompanying Notes to Basic Financial Statements.

AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 843,797	$ -	$ 35,500	$ 39,667,466	$ 38,859,169
Interest and Related Costs on Long-Term Debt	2,236,876	-	-	-	(2,236,876)
Total Governmental Activities	$ 3,080,673	$ -	$ 35,500	$ 39,667,466	36,622,293
GENERAL REVENUES					
Net Investment Income					7,699
Total General Revenues					7,699
SPECIAL ITEMS					
Transfer of Capital Assets to CAB					(63,583,490)
Transfer of Capital Assets to ARTA					(17,347,986)
Debt Assumption by Other Governments					39,396,347
Total Special Items					(41,535,129)
CHANGE IN NET POSITION					(4,905,137)
Net Position - Beginning of Year					2,081,082
NET POSITION - END OF YEAR					$ (2,824,055)

See accompanying Notes to Basic Financial Statements.

AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	$ 18,868	$ -	$ 18,868
Cash and Investments - Restricted	1,100	366,924	368,024
Accounts Receivable	6,442	2,391	8,833
ARTA Advance Funding Receivable	-	3,497,402	3,497,402
Prepaid Insurance	28,071	-	28,071
Total Assets	$ 54,481	$ 3,866,717	$ 3,921,198
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts Payable	$ 66,668	$ 4,954,450	$ 5,021,118
Retainage Payable	-	2,013,836	2,013,836
Due to TAHCAB	-	20,000	20,000
Total Liabilities	66,668	6,988,286	7,054,954
FUND BALANCES (DEFICITS)			
Nonspendable:			
Prepaid Amounts	28,071	-	28,071
Restricted for:			
Emergencies (TABOR)	1,100	-	1,100
Unassigned	(41,358)	(3,121,569)	(3,162,927)
Total Fund Balances (Deficits)	(12,187)	(3,121,569)	(3,133,756)
Total Liabilities and Fund Balances (Deficits)	$ 54,481	$ 3,866,717	
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.			730,607
Long-term liabilities, including developer advances, are not due and payable in the current period and, therefore, are reported in the funds.			
Developer Advances			(415,353)
Accrued Interest - Developer Advances			(5,553)
Net Position of Governmental Activities			$ (2,824,055)

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, 2020

	General	Capital Projects	Total Governmental Funds
REVENUES			
Net Investment Income	$ -	$ 7,699	$ 7,699
Intergovernmental Revenue - ARTA	370,000	12,369,479	12,739,479
Intergovernmental Revenue - CAB	-	26,887,788	26,887,788
Developer Reimbursement	-	40,199	40,199
Intergovernmental Transfer - First Creek Ranch	35,500	-	35,500
Total Revenues	405,500	39,305,165	39,710,665
EXPENDITURES			
Current:			
Accounting	129,257	55,553	184,810
Audit	6,000	-	6,000
District Management	164,237	44,646	208,883
Dues and Licenses	2,752	-	2,752
Election	5,946	-	5,946
Insurance	32,394	-	32,394
Legal	302,412	-	302,412
Miscellaneous	1,447	49,529	50,976
Cost of Issuance	-	11,106	11,106
Construction Trailer Expenses	-	31,747	31,747
Capital:			
Capital Outlay - Other	-	12,838,709	12,838,709
Capital Outlay - Construction in Process	-	44,070,568	44,070,568
Total Expenditures	644,445	57,101,858	57,746,303
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(238,945)	(17,796,693)	(18,035,638)
OTHER FINANCING SOURCES (USES)			
Developer Advances	283,000	16,151,530	16,434,530
Repayment of Developer Advances	-	(1,438,828)	(1,438,828)
Developer Advance Interest	-	(114,318)	(114,318)
Total Other Financing Sources (Uses)	283,000	14,598,384	16,320,212
NET CHANGE IN FUND BALANCES	44,055	(3,198,309)	(3,154,254)
Fund Balances (Deficits) - Beginning of Year	(56,242)	76,740	20,498
FUND BALANCES (DEFICITS) - END OF YEAR	$ (12,187)	$ (3,121,569)	$ (3,133,756)

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, 2020

Net Change in Fund Balances - Total Governmental Funds	$ (3,154,254)
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	56,909,277
Dedication of Capital Assets to Other Governments	(80,931,476)
Depreciation Expense	(6,771)
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 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	(16,434,530)
Repayment of Developer Advances	1,438,828
Debt Assumption by Other Governments	39,396,347
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	(15,416)
Accrued Interest on Developer Advances - Change in Liability	(2,107,142)
Change in Net Position of Governmental Activities	$ (4,905,137)

See accompanying Notes to Basic Financial Statements.

AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Budgets		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental Transfer - CAB	$ -	$ -	$ 370,000	$ 370,000
Intergovernmental Transfer - First Creek Ranch	60,144	34,000	35,500	1,500
Total Revenues	60,144	34,000	405,500	371,500
EXPENDITURES				
Accounting	90,000	110,000	129,257	(19,257)
Audit	6,000	6,000	6,000	-
District Management	85,000	135,000	164,237	(29,237)
Dues and Licenses	1,800	3,000	2,752	248
Election	3,200	6,100	5,946	154
Insurance	18,000	29,000	32,394	(3,394)
Legal	200,000	375,000	302,412	72,588
Miscellaneous	1,000	2,500	1,447	1,053
Contingency	5,000	3,400	-	3,400
Total Expenditures	410,000	670,000	644,445	25,555
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(349,856)	(636,000)	(238,945)	397,055
OTHER FINANCING SOURCES (USES)				
Developer Advance	350,000	695,000	283,000	(412,000)
Total Other Financing Sources (Uses)	350,000	695,000	283,000	(412,000)
NET CHANGE IN FUND BALANCE	144	59,000	44,055	(14,945)
Fund Balance (Deficit) - Beginning of Year	4,860	(56,242)	(56,242)	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ 5,004	$ 2,758	$ (12,187)	$ (14,945)

See accompanying Notes to Basic Financial Statements.

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) (TAH 1-3), Green Valley Aurora Metropolitan District No. 1 (formerly known as Green Valley Ranch East Metropolitan District No. 5) (GVA), 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 other Special Districts, the City, or ARTA.

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 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.

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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, 2020.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

Deficits

The following individual funds had a deficit reported in the fund financial statements as of December 31, 2020:

General Fund	$ (12,187)
Capital Projects Fund	(3,121,569)
Total Deficit	$ (3,133,756)

It is anticipated that the deficit in the General Fund will be eliminated with developer advances or Intergovernmental Revenues from the CAB and the deficit in the Capital Projects Fund will be eliminated with Intergovernmental Revenues from the CAB in 2021.

Late Filing

The District's audit was filed with the State Auditor after the granted extension date of September 30, 2021, which is a potential violation of state statute.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments - Unrestricted	$	18,868
Cash and Investments - Restricted		368,024
Total Cash and Investments	$	386,892

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	$	243,879
Investments		143,013
Total Cash and Investments	$	386,892

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, 2020, the District's cash deposits had a bank balance of $7,735,408 and a carrying balance of $243,879.

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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2020, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	$ 143,013

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.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance - December 31, 2019	Additions	Deductions	Balance - December 31, 2020
Capital Assets, Not Being Depreciated:				
Construction in Progress-CAB	$ 19,512,922	$ 44,070,568	$ 63,583,490	$ -
Construction in Progress-ARTA/Developer	5,187,291	12,838,709	17,347,986	678,014
Total Capital Assets, Not Being Depreciated	24,700,213	56,909,277	80,931,476	678,014
Capital Assets, Being Depreciated				
Construction Trailer	57,792	-	-	57,792
Construction Trailer Furniture and Equipment	4,957	-	-	4,957
Total Capital Assets, Being Depreciated	- 62,749	-	-	62,749
Less Accumulated Depreciation for:				
Construction Trailer	(2,889)	(5,780)	-	(8,669)
Construction Trailer Furniture and Equipment	(496)	(991)	-	(1,487)
Total Accumulated Depreciation	(3,385)	(6,771)	-	(10,156)
Total Capital Assets, Being Depreciated, Net	59,364	(6,771)	-	52,593
Governmental Activities - Capital Assets, Net	$ 24,759,577	$ 56,902,506	$ 80,931,476	$ 730,607

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

Governmental Activities:	
General Government	$ 6,771

The District acts as Project Manager to the CAB per a Project Management Intergovernmental Agreement (CAB Project Management IGA), described in Note 6. In accordance with the CAB Project Management IGA, all construction in progress benefitting the CAB Districts was transferred to the CAB during 2020. The CAB shall own, operate, and maintain all public improvements unless and until such public improvements are dedicated to the City or other appropriate governmental entity for perpetual ownership and maintenance.

The District also acts as Project Manager to ARTA per an Intergovernmental Agreement Regarding Project Management of the Design and Construction of the Aerotropolis Regional Transportation Authority Regional Transportation System. See Note 6.

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, 2020:

	Balance - December 31, 2019	Additions	Retirements	Debt Assumption	Balance - December 31, 2020
Other Debts:					
Developer Advances - Operations					
HC Development	$ 97,275	$ -	$ -	$ 97,275	$ -
TAH LLC	435,670	283,000	-	718,670	-
Developer Advances - Capital					
TAH LLC	20,512,766	16,151,530	1,438,828	34,810,115	415,353
Intergovernmental Agreement					
Town Center MD	348,207	-	-	348,207	-
Accrued Interest on:					
Developer Advances - Operations					
HC Development	49,176	3,265	-	52,441	-
TAH LLC	24,369	21,466	-	45,835	-
Developer Advances - Capital					
TAH LLC	868,868	2,196,729	114,318	2,945,726	5,553
Intergovernmental Agreement					
Town Center MD	362,662	15,416	-	378,078	-
Subtotal of Other Debts	22,698,993	18,671,406	1,553,146	39,396,347	420,906
Total Long-Term Obligations	$ 22,698,993	$ 18,671,406	$ 1,553,146	$ 39,396,347	$ 420,906

Operation Funding Agreements

The District previously 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 described below (Prior OFAs). Pursuant to the CAB Establishment Agreement, as acknowledged in the Multiple-Year Operation Funding Agreement between Aurora Highlands, LLC (TAH LLC) (the Developer) dated June 23, 2020 (Multi-Year OFA), the CAB will assume the District's reimbursement obligation under the Prior OFAs.

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.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Operation Funding Agreements (Continued)

The District and the Developer entered into (i) a 2017- 2018 Operation Funding Agreement (2017-2018 OFA) on July 20, 2018 (effective as of January 1, 2017), and (ii) a 2019 Operation Funding Agreement (2019 OFA) to be effective January 1, 2019. Pursuant to the 2017-2018 OFA (as amended), the Developer agreed to advance funds for ongoing operations and maintenance expenses incurred by the District through December 31, 2018, in an amount not to exceed $500,000. The District agreed to repay the advances (plus 8% simple interest) under the 2017-2018 OFA 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. Under the 2019 OFA (as amended), the Developer agreed to advance funds for ongoing operations and maintenance expenses incurred by the District through December 31, 2019, in an amount not to exceed $705,000. The District agreed to repay the advances (plus 8% simple interest) under the 2019 OFA 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.

Effective June 23, 2020, the District and the Developer terminated the 2017- 2018 OFA and the 2019 OFA pursuant to the Termination of Operation Funding Agreements and, concurrently, the CAB and the Developer entered into the Multi-Year Operating Funding Agreement (Multi-Year OFA). Pursuant to the Multi-Year OFA, the CAB assumes and recognizes the obligation to repay HC Development for amounts owing under the ARA and the Developer for amounts advanced under the 2017-2018 OFA and the 2019 OFA. As a result, the CAB, and not the District, is obligated to reimburse HC Development and the Developer under the Prior OFAs first, to HC Development for principal and interest under the ARA; second, to the Developer for accrued and unpaid interest and principal under the 2017-2018 OFA; third, to the Developer for accrued and unpaid interest and principal under the 2019 OFA; and finally, to the Developer for any interest and principal amounts advanced under the Multi-Year OFA.

Facilities Funding and Acquisition Agreements

The District and the Developer entered into a First Amended and Restated Facilities Funding and Acquisition Agreement 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.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Facilities Funding and Acquisition Agreements (Continued)

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 4, 2019, the interest rate of the principal amount of the ARTA Improvements was changed to 8% per annum as agreed to by the Developer. 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.

CAB Bonds

On June 30, 2020, the CAB issued Special Tax Revenue Draw-Down Bonds Series 2020A (2020A Bonds) with an estimated par amount of $165,159,327 and Subordinate Special Tax Revenue Draw-Down Bonds Series 2020B (2020B Bonds) with an estimated par amount of $32,338,830 and a final maturity of December 15, 2059.

In 2020, per the CAB Establishment Agreement, the CAB transferred $26,887,788 to the District to fund current capital expenditures and establish a District construction reserve. The District transferred funds to the CAB, which were used to repay the Developer for prior capital costs certified by an independent engineer and accepted by the District. The total amount repaid by the CAB was $1,553,146 including $114,318 of accrued interest. The developer advance balance of $35,626,060, plus $3,044,002 of accrued interest, was assumed by the CAB.

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. 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 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.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

CAB Bonds (Continued)

The District has pledged revenue for interest and principal payments on the 2020A Bonds pursuant to the Coordinating District Pledge Agreement dated June 30, 2020 (Pledge Agreement). The Pledge Agreement requires the District to impose a debt service mill levy of 50 mills (subject to Gallagher adjustment) on property developed for residential use beginning on or after the date that the assessed valuation of the District is equal to or greater than $1,000,000. Pledged revenue for the interest and principal payments on the 2020B Bonds are a subordinate lien on the pledged revenues of the 2020A Bonds.

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 TAH 1-3 and GVA (then knows as Green Valley Ranch East Metropolitan District Nos. 2 through 5), 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.

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. 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. Green Valley Ranch East Metropolitan District Nos. 6 and 7 shall pay 75% of such costs.

Assignment of Responsibilities Under Restated Agreement for Reimbursement of Costs

On July 21, 2020, the District, TAH 1-3, and GVA entered into an Assignment of Responsibilities Under Restated Reimbursement of Costs (Assignment). Under the Assignment, it was determined that the street improvements detailed in the Restated Reimbursement Agreement are within the service area of GVA and will benefit GVA. The District and the TAH 1-3 assigned to GVA their obligation under the Restated Reimbursement Agreement. The principal and accrued interest assumed by GVA on July 21, 2020, was $348,207 and $378,078, respectively.

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. On December 31, 2020, the District had authorized, but unissued general obligation indebtedness in the following amounts for the following purposes:

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

	Authorized November 7, 2017 Election	Authorization Used (1)	Remaining at December 31, 2020
Streets	$ 8,000,000,000	$ 65,177,160	$ 7,934,822,840
Water Supply System	8,000,000,000	654,230	7,999,345,770
Storm and Sanitary Sewer	8,000,000,000	3,575,580	7,996,424,420
Parks and Recreation	8,000,000,000	633,600	7,999,366,400
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	$ 104,000,000,000	$ 70,040,570	$ 103,929,959,430

(1) Debt issued by The Aurora Highlands Community Authority Board

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.

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

NOTE 6 AGREEMENTS (CONTINUED)

Intergovernmental Agreement with Aurora (Continued)

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 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 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

NOTE 6 AGREEMENTS (CONTINUED)

Aerotropolis Regional Transportation Authority Agreements (continued)

- 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 ARTA 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.

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 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.

NOTE 6 AGREEMENTS (CONTINUED)

Aerotropolis Regional Transportation Authority Agreements (Continued)

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.

On August 12, 2020, the District and ARTA entered into the Intergovernmental Agreement Regarding Design and Construction of the Aurora Highlands Parkway (TAH Parkway IGA). Per the TAH Parkway IGA, the District agrees that it will advance on ARTA's behalf any and all funds reasonably necessary to plan, design and construct the Aurora Highlands Parkway Improvements (TAH Improvements) beyond the Available TAH Parkway Funds (as defined in the TAH Parkway Agreement). The District will plan, design, and construct the TAH Improvements consistent with the provisions of the Project Management IGA. The parties agree that in order to maintain consistency with estimated and allocated costs as set forth in the Capital Plan, 58% of all costs actually incurred to complete the TAH Improvements are allocated to the District and 42% are allocated to ARTA. ARTA intends to issue additional bonds in part in order to reimburse the District for the TAH Parkway Advances if such issuance provides revenue sufficient to reimburse the District. The TAH Parkway IGA evidences an intent to reimburse the District but shall not constitute a debt or indebtedness of ARTA, and the amounts due shall not accrue interest. On December 31, 2020, the amount of the ARTA receivable to the District was $3,497,402.

Inclusion Agreements

Effective June 29, 2020, the District entered into Inclusion Agreements with landowners within its service area, including Aurora Tech Center Holdings; GVR King Commercial; and Aurora Highlands, Aurora Highlands Holdings, GVR King, GVRE 470, Green Valley East, and SJSA Investments (Inclusion Agreements). Under the Inclusion Agreements, the District agreed to cause the inclusion of real property into one of the CAB Districts upon the earlier to occur of (a) the transfer of title to real property to a third party, (b) the recordation of a final plat including the real property, or (c) the issuance of a building permit for the real property.

NOTE 6 AGREEMENTS (CONTINUED)

Mill Levy Policy Agreement

Effective June 30, 2020, the CAB and the CAB Districts entered into a Mill Levy Policy Agreement. The Mill Levy Policy Agreement evidences the mutual benefits enjoyed by the CAB and CAB Districts by the provision, operation and maintenance of the Public Improvements (as defined in the Mill Levy Policy Agreement) and the obligations of the CAB and the CAB Districts under the CAB Establishment Agreement and certain capital pledge agreements to impose and collect required debt service mill levies to ensure the timely repayment of the Series 2020A and 2020B Bonds.

Water Line Construction and Cost Reimbursement Agreement

On July 28, 2020, the District and the City entered into a Water Line Construction and Cost Reimbursement Agreement (Water Line Reimbursement Agreement) to set forth the terms under which the District will undertake and fund the installation of certain portions of the Aurora Pipeline Project and the City will reimburse the District for certain approved incremental costs associated with installation of said improvements. The terms of the Water Line Reimbursement Agreement were amended by the Letter of Agreement regarding Payment to Accelerate Installation and the Letter of Agreement regarding Request to Expedite Installation of Pipeline Section.

Relocation Reimbursement Agreement

In November 2020, the District entered into a Relocation and Reimbursement Agreement with Zayo Group, LLC (Relocation Agreement). Pursuant to the Relocation Agreement, the District agreed to reimburse Zayo Group for the costs of relocating fiber conduit to accommodate the District's development. As of December 31, 2020, the amount owed to Zayo Group was $177,270, which was paid in 2021.

Project Management Intergovernmental Agreements

On May 22, 2019, the District and ARTA entered into an Intergovernmental Agreement Regarding Project Management of the Design and Construction of the Aerotropolis Regional Transportation Authority Regional Transportation System (ARTA Project Management IGA). ARTA shall provide funds sufficient to complete its Phase I Improvements and the District shall coordinate, administer and oversee: (i) the preparation of all budgets, schedules, contracts, and other documents pertaining to the Phase I Improvements; and (ii) the design and construction of the Phase I Improvements. The District has engaged and will continue to engage engineers, surveyors, and other consultants and construction contractors as reasonably necessary to complete the Phase I Improvements.

The District and ARTA acknowledge that the remaining ARTA improvements are intended to be phased for design and construction as set for the in the Capital Plan and the Establishment Agreement. ARTA intends to issue future ARTA bonds in order to fund the design and construction of the remaining ARTA improvements beyond the Phase I Improvements.

NOTE 6 AGREEMENTS (CONTINUED)

Project Management Intergovernmental Agreements (Continued)

On April 10, 2020, the District entered into a Project Management Intergovernmental Agreement (Project IGA) with the CAB. Pursuant to the Project IGA, the District shall provide project management services for public improvements to be owned, operated, and maintained by the CAB. The District shall coordinate, administer, and oversee: (1) the preparation of all budgets, schedules, contracts, and other documents pertaining to the public improvements; and (2) the planning, design, engineering, testing, construction, and installation for the public improvements. The District has engaged and will continue to engage engineers, surveyors, and other consultants and construction contractors as reasonably necessary to complete the public improvements.

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, 2020, the District had net investment in capital assets of $52,593.

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 $1,100 for Emergency Reserves as of December 31, 2020.

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. The District has a negative net position because amounts due for construction related activities were accrued as of December 31, 2020, but the funding for these expenses will not be received from the CAB and ARTA until 2021.

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. Three of the District's Board members are officers of, employees of, or are associated with the Developer in consulting capacities. The fourth District Board member is an employee of a company providing consulting services to the District. 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, 2020, the District had unexpended construction-related commitments of $21,147,613.

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.

NOTE 12 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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, 2020, 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.

SUPPLEMENTARY INFORMATION

AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenue - ARTA	$ 9,000,000	$ 12,369,479	$ 3,369,479
Intergovernmental Revenue - CAB	92,991,804	26,887,788	(66,104,016)
Developer Reimbursement	230,000	40,199	(189,801)
Net Investment Income	-	7,699	7,699
Total Revenues	102,221,804	39,305,165	(62,916,639)
EXPENDITURES			
Current:			
Accounting	25,000	55,553	(30,553)
Cost of Issuance	-	11,106	(11,106)
Construction Trailer Expenses	10,000	31,747	(21,747)
District Management	-	44,646	(44,646)
Legal	175,000	-	175,000
Miscellaneous	-	49,529	(49,529)
Waste Services	5,000	-	5,000
Other:			
Infrastructure Improvements - ARTA	9,000,000	12,798,031	(3,798,031)
Infrastructure Improvements - Developer	230,000	40,678	189,322
Capital Outlay:			
Architecture	2,000,000	26,269	1,973,731
Camera Monitoring	25,000	89,845	(64,845)
Civil Engineering	3,500,000	1,034,940	2,465,060
Construction Assistance	2,500,000	46,620	2,453,380
Cost Verification	50,000	266,490	(216,490)
Entry Monument	3,000,000	1,527,674	1,472,326
Geotechnical Engineering	-	40,299	(40,299)
GIS Services	-	184,798	(184,798)
Grading/Earthwork	-	3,378,839	(3,378,839)
Landscape/Planning	20,000,000	1,349,878	18,650,122
Monument Design	-	1,061,082	(1,061,082)
Permits and Fees	250,000	24,542	225,458
Plan Review	250,000	3,955	246,045
Capital Outlay	-	6,410,042	(6,410,042)
Program Management	250,000	1,381,258	(1,131,258)
Project Assistance	250,000	361,196	(111,196)
Sanitary Sewer Interceptor	2,500,000	312,072	2,187,928
Storm Drainage /Erosion Control	12,000,000	178,288	11,821,712
Storm Water Management	-	301,531	(301,531)
Streets	15,000,000	2,712,981	12,287,019
Surety	250,000	-	250,000
Surveying	750,000	153,546	596,454
Trib T Geomorphology	150,000	13,343,958	(13,193,958)
Utilities	3,500,000	7,606,386	(4,106,386)
Utilities Relocation	-	72,263	(72,263)
Waterline	6,000,000	2,201,816	3,798,184
Contingency	342,185	-	342,185
Total Expenditures	82,012,185	57,101,858	24,910,327
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	20,209,619	(17,796,693)	(38,006,312)

AEROTROPOLIS AREA COORDINATING METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

OTHER FINANCING SOURCES (USES)			
Developer Advance	$ 205,000	$ 16,151,530	$ 15,946,530
Repayment of Developer Advances	(19,600,000)	(1,438,828)	18,161,172
Developer Advance Interest	(815,000)	(114,318)	700,682
Total Other Financing Sources (Uses)	(20,210,000)	14,598,384	34,808,384
NET CHANGE IN FUND BALANCE	(381)	(3,198,309)	(3,197,928)
Fund Balance - Beginning of Year	381	76,740	76,359
FUND BALANCE (DEFICIT) - END OF YEAR	$ -	$ (3,121,569)	$ (3,121,569)