

Aurora Crossroads Metropolitan District No. 2

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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## Independent Auditor's Report

Board of Directors  
Aurora Crossroads Metropolitan District No. 2  
Arapahoe County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Aurora Crossroads Metropolitan District No. 2 (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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

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 Aurora Crossroads Metropolitan District No. 2 as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Management has omitted the 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.

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

Sincerely,



Wipfli LLP  
Lakewood, Colorado

September 19, 2021

**Aurora Crossroads Metropolitan District No. 2**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2020

|   | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>         | <u>Adjustments</u>    | <u>Statement<br/>of<br/>Net Position</u> |
|---|-------------------|-------------------------|-----------------------------|----------------------|-----------------------|--|
| <b>ASSETS</b>   |                   |                         |                             |                      |                       |  |
| Cash and investments - restricted                                     | \$ -              | \$ 5,472,279            | \$ 37,877,599               | \$ 43,349,878        | \$ -                  | \$ 43,349,878                            |
| Property taxes receivable   | <u>186,888</u>    | <u>849,487</u>          | <u>-</u>                    | <u>1,036,375</u>     | <u>-</u>              | <u>1,036,375</u>                         |
| Total Assets  | <u>\$ 186,888</u> | <u>\$ 6,321,766</u>     | <u>\$ 37,877,599</u>        | <u>\$ 44,386,253</u> | <u>-</u>              | <u>44,386,253</u>                        |
| <b>LIABILITIES</b>  |                   |                         |                             |                      |                       |  |
| Accounts payable  | \$ -              | \$ -                    | \$ 50,293                   | \$ 50,293            | \$ -                  | \$ 50,293                                |
| Due to Aurora Crossroads Metro District No. 1                         | -                 | -                       | 10,916                      | 10,916               | -                     | 10,916                                   |
| Accrued interest  | -                 | -                       | -                           | -                    | 112,188               | 112,188                                  |
| Long-term liabilities:  |                   |                         |                             |                      |                       |  |
| Due in more than one year   | <u>-</u>          | <u>-</u>                | <u>-</u>                    | <u>-</u>             | <u>45,810,030</u>     | <u>45,810,030</u>                        |
| Total Liabilities   | <u>-</u>          | <u>-</u>                | <u>61,209</u>               | <u>61,209</u>        | <u>45,922,218</u>     | <u>45,983,427</u>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                   |                         |                             |                      |                       |  |
| Deferred property taxes   | <u>186,888</u>    | <u>849,487</u>          | <u>-</u>                    | <u>1,036,375</u>     | <u>-</u>              | <u>1,036,375</u>                         |
| Total Deferred Inflows of Resources                                   | <u>186,888</u>    | <u>849,487</u>          | <u>-</u>                    | <u>1,036,375</u>     | <u>-</u>              | <u>1,036,375</u>                         |
| <b>FUND BALANCES/NET POSITION</b>                                     |                   |                         |                             |                      |                       |  |
| Fund Balances:  |                   |                         |                             |                      |                       |  |
| Restricted:   |                   |                         |                             |                      |                       |  |
| Debt service  | -                 | 5,472,279               | -                           | 5,472,279            | (5,472,279)           | -  |
| Capital projects  | -                 | -                       | 37,816,390                  | 37,816,390           | (37,816,390)          | -  |
| Unassigned  | <u>-</u>          | <u>-</u>                | <u>-</u>                    | <u>-</u>             | <u>-</u>              | <u>-</u>                                 |
| Total Fund Balances   | <u>-</u>          | <u>5,472,279</u>        | <u>37,816,390</u>           | <u>43,288,669</u>    | <u>(43,288,669)</u>   | <u>-</u>                                 |
| Total Liabilities, Deferred Inflows of Resources<br>and Fund Balances | <u>\$ 186,888</u> | <u>\$ 6,321,766</u>     | <u>\$ 37,877,599</u>        | <u>\$ 44,386,253</u> |                       |  |
| Net Position:   |                   |                         |                             |                      |                       |  |
| Restricted for:   |                   |                         |                             |                      |                       |  |
| Debt service  |                   |                         |                             |                      | 5,360,091             | 5,360,091                                |
| Capital projects  |                   |                         |                             |                      | 37,816,390            | 37,816,390                               |
| Unrestricted  |                   |                         |                             |                      | <u>-</u>              | <u>-</u>                                 |
| Total Net Position  |                   |                         |                             |                      | <u>\$ (2,633,549)</u> | <u>\$ (2,633,549)</u>                    |

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

## Aurora Crossroads Metropolitan District No. 2

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2020

|   | <u>General</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>  | <u>Adjustments</u> | <u>Statement<br/>of<br/>Activities</u> |
|---|----------------|-------------------------|-----------------------------|---------------|--------------------|--|
| EXPENDITURES  |                |                         |                             |               |                    |  |
| Transfers to Aurora Crossroads Metro District No. 1 | \$ -           | \$ -                    | \$ 351,978                  | \$ 351,978    | \$ -               | \$ 351,978                             |
| Bond interest expense                               | -              | 302,906                 | -                           | 302,906       | 537,506            | 840,412                                |
| Bond issuance costs                                 | -              | -                       | 1,461,817                   | 1,461,817     | -                  | 1,461,817                              |
| Total Expenditures                                  | -              | 302,906                 | 1,813,795                   | 2,116,701     | 537,506            | 2,654,207                              |
| GENERAL REVENUES                                    |                |                         |                             |               |                    |  |
| Interest income                                     | -              | 2,654                   | 18,004                      | 20,658        | -                  | 20,658                                 |
| Total General Revenues                              | -              | 2,654                   | 18,004                      | 20,658        | -                  | 20,658                                 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES   |                |                         |                             |               |                    |  |
|   | -              | (300,252)               | (1,795,791)                 | (2,096,043)   | (537,506)          | (2,633,549)                            |
| OTHER FINANCING SOURCES (USES)                      |                |                         |                             |               |                    |  |
| Bond proceeds                                       | -              | -                       | 45,000,000                  | 45,000,000    | (45,000,000)       | -                                      |
| Bond premium  | -              | -                       | 384,712                     | 384,712       | (384,712)          | -                                      |
| Transfers (to) / from other funds                   | -              | 5,772,531               | (5,772,531)                 | -             | -                  | -                                      |
| Total Other Financing Sources (Uses)                | -              | 5,772,531               | 39,612,181                  | 45,384,712    | (45,384,712)       | -                                      |
| NET CHANGES IN FUND BALANCES                        |                |                         |                             |               |                    |  |
|   | -              | 5,472,279               | 37,816,390                  | 43,288,669    | (43,288,669)       |  |
| CHANGE IN NET POSITION                              |                |                         |                             |               |                    |  |
|   |                |                         |                             |               | (2,633,549)        | (2,633,549)                            |
| FUND BALANCES/NET POSITION:                         |                |                         |                             |               |                    |  |
| BEGINNING OF YEAR                                   | -              | -                       | -                           | -             | -                  | -                                      |
| END OF YEAR   | \$ -           | \$ 5,472,279            | \$ 37,816,390               | \$ 43,288,669 | \$ (45,922,218)    | \$ (2,633,549)                         |

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

## Aurora Crossroads Metropolitan District No. 2

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

For the Year Ended December 31, 2020

|                                      | <u>Original</u><br><u>Budget</u> | <u>Final</u><br><u>Budget</u> | <u>Actual</u> | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|--------------------------------------|----------------------------------|-------------------------------|---------------|---|
| EXPENDITURES                         |                                  |                               |               |   |
| Accounting and audit                 | 4,000                            | -                             | -             | -   |
| Election expense                     | 3,000                            | -                             | -             | -   |
| Insurance                            | 9,200                            | -                             | -             | -   |
| Legal                                | 20,000                           | -                             | -             | -   |
| Miscellaneous expenses               | 2,500                            | -                             | -             | -   |
| Contingency                          | 9,800                            | -                             | -             | -   |
| Emergency reserve                    | 1,500                            | -                             | -             | -   |
| Total Expenditures                   | 50,000                           | -                             | -             | -   |
| EXCESS (DEFICIENCY) OF REVENUES OVER |                                  |                               |               |   |
| EXPENDITURES                         | (50,000)                         | -                             | -             | -   |
| OTHER FINANCING SOURCES (USES)       |                                  |                               |               |   |
| Developer advances                   | 50,000                           | -                             | -             | -   |
| Total Other Financing Sources (Uses) | 50,000                           | -                             | -             | -   |
| NET CHANGE IN FUND BALANCE           | -                                | -                             | -             | -   |
| FUND BALANCE:                        |                                  |                               |               |   |
| BEGINNING OF YEAR                    | -                                | -                             | -             | -   |
| END OF YEAR                          | \$ -                             | \$ -                          | \$ -          | \$ -  |

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

## Aurora Crossroads Metropolitan District No. 2

### Notes to Financial Statements December 31, 2020

#### Note 1: Summary of Significant Accounting Policies

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

#### Definition of Reporting Entity

The District was organized on May 27, 2008, as a quasi-municipal organization established under the State of Colorado Special District Act. The District operates pursuant to a service plan approved by the City of Aurora on June 5, 2008 (the “Service Plan”). On October 31, 2019, The District, along with Aurora Crossroads Metropolitan Districts No. 1 and No. 3 (“District No. 1” and “District No. 3”, respectively, and collectively as “Districts”) were established to finance, construct and maintain certain public infrastructure improvements that benefit the citizens of the Districts. District No. 1 was established as the Coordinating District while District No. 2 and 3 are the Financing Districts. The District's primary source of revenues is bond proceeds. The District is governed by an elected Board of Directors.

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

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

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

## Aurora Crossroads Metropolitan District No. 2

### Notes to Financial Statements December 31, 2020

#### Basis of Presentation

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

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

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

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

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

## Aurora Crossroads Metropolitan District No. 2

### Notes to Financial Statements December 31, 2020

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

#### Budgetary Accounting

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

During 2020, the District amended its total appropriations in the General Fund from \$50,000 to \$0 primarily due to no operating revenues or expenditures. During 2020, the District amended its total appropriations in the Capital Projects Fund from \$0 to \$45,000,000 primarily due to bond issuance and transfers to District No. 1 and in the Debt Service Fund from \$0 to \$1,000,000 primarily due to bond interest payments.

#### Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

##### Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

##### Deposits and Investments

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

## Aurora Crossroads Metropolitan District No. 2

### Notes to Financial Statements December 31, 2020

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

#### Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

#### Estimates

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

#### Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one types of items that qualify for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Original Issue Discount and Prepaid Debt Insurance

Original issue premium from the Series 2020 Bonds are being amortized over the term of the bonds using the interest method. Accumulated amortization of original issue premium amounted to \$3,902 at December 31, 2020 (See Note 3).

## Aurora Crossroads Metropolitan District No. 2

### Notes to Financial Statements December 31, 2020

#### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2020.

#### Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

#### Long-Term Obligations

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

Aurora Crossroads Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2020

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the Debt Service Fund in the amount of \$5,472,279 is restricted for the payment of the debt service costs associated with the Limited Tax General Obligation Bonds Series 2020A and 2020B (see Note 3).

The restricted fund balance in the Capital Projects Fund in the amount of \$18,004 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

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

Assigned Fund Balance

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

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2020.

Aurora Crossroads Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2020

Unassigned Fund Balance

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

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

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

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

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

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

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

Note 2: Cash and Investments

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

Statement of Net Position:

|                                   |                      |
|-----------------------------------|----------------------|
| Cash and investments - Restricted | \$ <u>43,349,878</u> |
| Total                             | \$ <u>43,349,878</u> |

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

|                         |                      |
|-------------------------|----------------------|
| Investments - COLOTRUST | \$ <u>43,349,878</u> |
|                         | \$ <u>43,349,878</u> |

## Aurora Crossroads Metropolitan District No. 2

### Notes to Financial Statements December 31, 2020

#### Deposits

##### Custodial Credit Risk

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

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

#### Investments

##### Credit Risk

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

##### Custodial and Concentration of Credit Risk

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

##### Interest Rate Risk

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

##### Investment Valuation

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

Aurora Crossroads Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2020

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$43,349,878 invested in COLOTRUST.

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

\$26,925,000 Limited Tax General Obligation Bonds, Series 2020A

On September 3, 2020, the District issued \$26,925,000 of Limited Tax General Obligation Bonds, Series 2020A, (“2020A Bonds”), for the purpose of (i) financing public improvements, including, but not limited to, streets, water system improvements, and sanitary sewer improvements; (ii) fund capitalized interest; (iii) fund the Senior Reserve Fund; and (iv) pay the costs of issuance of the 2020A Bonds and 2020B Bonds. The 2020A Bonds bear interest at the rate of 5%, payable semiannually on each June 1 and December 1, commencing on December 1, 2020, and mature on December 1, 2050. The 2020A Bonds are secured by and payable from Senior Pledged Revenues including the Senior Required Mill Levy, the portion of Specific Ownership Tax related to the Senior Required Mill Levy, the PILOT revenues, and any other moneys determined by the District. The 2020A Bonds are further secured by amounts deposited into the Capitalized Interest Fund of \$3,668,531, the Senior Reserve Fund of \$2,104,000, and the Senior Surplus Fund which has not be funded but is required to be funded with excess Senior Pledged Revenue, if any, up to the Maximum Surplus Amount of \$2,692,500. Any amount of unpaid principal or interest on the 2020A Bonds shall be deemed discharged on December 2, 2060.

Aurora Crossroads Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2020

\$18,075,000 Limited Tax General Obligation Bonds, Series 2020B

On September 3, 2020, the District issued \$18,075,000 of Limited Tax General Obligation Bonds, Series 2020B, (“2020B Bonds”), for the purpose of financing public improvements. The 2020B Bonds bear interest at the rate of 7.750%, payable annually on December 15, commencing on December 1, 2020, and mature on December 15, 2050. The 2020B Bonds are secured by and payable from Subordinate Pledged Revenues including the Subordinate Required Mill Levy, the portion of Specific Ownership Tax related to the Subordinate Required Mill Levy, the Subordinate PILOT revenues, and all amounts in the Senior Surplus Fund released after payment in full of the principal of, premium, if any, and interest on the 2020A Bonds. Any amount of unpaid principal or interest on the 2020B Bonds shall be deemed discharged on December 2, 2060.

The 2020B Bonds are structured as “cash flow” bonds, meaning the 2020B Subordinate Indenture contains no schedule payments of principal other than maturity. Therefore, no debt service schedule is available.

The 2020A Bonds and 2020B Bonds are subject to early redemption at the option of the District commencing September 1, 2025, with a redemption premium equal to the principal amount so redeemed, as follows.

| <u>Date of Redemption</u>             | <u>Redemption Premium</u> |
|---------------------------------------|---------------------------|
| September 1, 2025, to August 31, 2026 | 3.00%                     |
| September 1, 2026, to August 31, 2027 | 2.00                      |
| September 1, 2027, to August 31, 2028 | 1.00                      |
| September 1, 2028, and thereafter     | 0.00                      |

Events of Default as defined in the Limited Offering Memorandum are 1) the failure of the District to impose the Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2020A Bonds or 2020B Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2020A Bonds or 2020B Bonds is not an available remedy for an Event of Default.

Aurora Crossroads Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2020

The following is a summary of the annual long-term debt principal and interest requirements of the 2020A Bonds.

|           | Principal     | Interest      | Total         |
|-----------|---------------|---------------|---------------|
| 2021      | \$ -          | \$ 1,346,250  | \$ 1,346,250  |
| 2022      | -             | 1,346,250     | 1,346,250     |
| 2023      | -             | 1,346,250     | 1,346,250     |
| 2024      | 95,000        | 1,346,250     | 1,441,250     |
| 2025      | 200,000       | 1,341,500     | 1,541,500     |
| 2026-2030 | 1,995,000     | 6,486,250     | 8,481,250     |
| 2031-2035 | 3,125,000     | 5,870,250     | 8,995,250     |
| 2036-2040 | 4,525,000     | 4,956,250     | 9,481,250     |
| 2041-2045 | 6,280,000     | 3,658,750     | 9,938,750     |
| 2046-2050 | 10,705,000    | 1,868,250     | 12,573,250    |
|           | \$ 26,925,000 | \$ 29,566,250 | \$ 56,491,250 |

The following is an analysis of changes in long-term debt for the year ending December 31, 2020:

|                              | Balance<br>1/1/2020 | Additions     | Deletions | Balance<br>12/31/2020 | Current<br>Portion |
|------------------------------|---------------------|---------------|-----------|-----------------------|--------------------|
| General Obligation Bonds     |                     |               |           |                       |                    |
| G.O. Bonds 2020A             | \$ -                | \$ 26,925,000 | \$ -      | \$ 26,925,000         | \$ -               |
| G.O. Bonds 2020B - Principal | -                   | 18,075,000    | -         | 18,075,000            | -                  |
| G.O. Bonds 2020B - Interest  | -                   | 429,220       | -         | 429,220               | -                  |
| Total                        | -                   | 45,429,220    | -         | 45,429,220            | -                  |
| Original issue premium       | -                   | 384,712       | 3,902     | 380,810               | -                  |
|                              | \$ -                | \$ 45,813,932 | \$ 3,902  | \$ 45,810,030         | \$ -               |

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$2,885,000,000. The District has not budgeted to issue any new debt during 2021. Per the District's Service Plan, the District can not issue debt in excess of \$45,000,000.

Aurora Crossroads Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2020

Note 4: Other Agreements

Intergovernmental Agreement

On October 17, 2008, the District and District Nos. 1 and 3 entered into an intergovernmental agreement with the City of Aurora (“City”) which imposes certain restrictions and contractual provisions upon the Districts which are consistent with the Service Plan. Only July 20, 2020, the Districts entered into an amended and restated Intergovernmental Agreement with the City as required by the Service Plan.

Regional Improvement Authority

On November 10, 2008 (and as amended in 2012, 2018, and 2019), the Districts, and the City, along with Cornerstar Metropolitan District, Eagles Nest Metropolitan District, Iliff Commons Metropolitan District Nos. 2 and 3, and Murphy Creek Metropolitan District Nos. 1, 2, 4, and 5, entered into the Aurora Regional Improvement Authority No. 5 Establishment Agreement (“ARI Agreement”). Pursuant to the ARI Agreement, Aurora Regional Improvement Authority No. 5 (“Regional Authority”) was created. The Regional Authority is expected to be funded by its metropolitan district members using the revenues from the ARI Mill Levy for the purpose of planning, designing, installing, or financing certain community improvement projects. To date, the Regional Authority has not funded any improvements or engaged in any other material activities and the District has not yet imposed the ARI Mill Levy.

Funding and Reimbursement Agreements

The District and the Developer entered into a Funding and Reimbursement Agreement dated as of July 1, 2020 (“O&M Agreement”). Pursuant to the O&M Agreement, the Developer agrees to loan the District an amount no to exceed \$200,000 per annum for two years through December 31, 2021, up to \$400,000. Thereafter, the Developer may agree to renew its obligations thereunder on an annual basis. Simple interest shall accrue on this loan at a rate of 6.5% per annum. As of December 31, 2020, no maturity date has been determined and nothing is due to the Developer under this agreement.

Public Improvement Agreements

On July 1, 2020, the District and the Developer entered into a Public Improvements Acquisition and Reimbursement Agreement (“Public Improvements Agreement”). Pursuant to the Public Improvements Agreement, the Developer agrees to finance, construct, and install certain Public Improvements for the benefit of the District, and the District agrees to reimburse the Developer for such costs, with simple interest accruing at 7% per annum. As of December 31, 2020, no amount is due to the Developer under this agreement.

## Aurora Crossroads Metropolitan District No. 2

### Notes to Financial Statements December 31, 2020

#### JPMorgan Public Improvements Agreement

As of the date the 2020A and 2020B Bonds were issued, the District, District No. 1, and JPMorgan Chase Bank & Co. (“JPMorgan”) have agreed to the JPMorgan Public Improvements Agreement (“JPM Agreement”). Pursuant to the JPM Agreement, JPMorgan agrees to finance, construct, and install certain Public Improvements for the benefit of the District, and the District agrees to reimburse JPMorgan for such costs, with interest, in an amount of up to \$7,100,000. JPMorgan has represented that \$3,300,000 has already been spent, of which \$2,250,000 is reimbursable by the District and expects to spend an additional \$4,850,000. As of December 31, 2020, these amounts have been transferred to District No.1, but have not been certified or yet paid to JPMorgan.

#### Escrow Agreement

The District, the Developer, and UMB Bank, n.a. (“Escrow Agent”), entered into an Escrow Agreement prior to the issuance of the Bonds (“Escrow Agreement”). In the Escrow Agreement, the Escrow Agent agrees to establish an account for the purpose of holding a portion of the proceeds of the bonds. Such funds shall be subject to requisition by the District and used to directly fund costs related to the acquisition, construction, and installation of certain public improvements related to the land sold by the Developer to the Sisters of Charity of Leavenworth Health Systems, Inc. (“SCL Property”) on July 23, 2020, within the District and/or reimburse the Developer for costs advanced to acquire, construct, and install such public improvements within the District or benefitting the Project pursuant to the Public Improvements Agreement. The Escrow Agreement shall terminate upon the earlier to occur of (i) all proceeds of the 2020A and 2020B Bonds being release from the Escrow Account to pay eligible costs connected with the SCL Property public improvements; (ii) the date on which all of the eligible costs with respect to such public improvements with bond proceeds deposited with the Escrow Account have so been financed, or (iii) three years from the date of issuance of the Bonds.

#### District Coordinating Services Agreement

On October 31, 2019 the Districts entered into a District Coordinating Services Agreement where as District No. 1 agrees to perform administrative services for all three Districts and agrees to own, operation, and maintain all Public Improvements within the boundaries of the Districts that are not otherwise conveyed to the City or other public entity. District Nos. 2 and 3 agree to pay all costs, fees, charges, and expenses incurred by District No. 1 in providing these services.

Aurora Crossroads Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2020

Note 5: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

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

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

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

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

Note 7: Risk Management

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

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

Aurora Crossroads Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2020

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 2) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

**SUPPLEMENTAL INFORMATION**

## Aurora Crossroads Metropolitan District No. 2

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

For the Year Ended December 31, 2020

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| <b>REVENUES</b>  |                            |                         |                     |   |
| Interest income  | \$ -                       | \$ -                    | \$ 2,654            | \$ 2,654  |
| Total Revenues   | <u>-</u>                   | <u>-</u>                | <u>2,654</u>        | <u>2,654</u>                                    |
| <b>EXPENDITURES</b>  |                            |                         |                     |   |
| Bond interest expense  | <u>-</u>                   | <u>1,000,000</u>        | <u>302,906</u>      | <u>697,094</u>                                  |
| Total Expenditures   | <u>-</u>                   | <u>1,000,000</u>        | <u>302,906</u>      | <u>697,094</u>                                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | -                          | (1,000,000)             | (300,252)           | 699,748   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                         |                     |   |
| Transfers (to) / from other funds                            | <u>-</u>                   | <u>5,772,531</u>        | <u>5,772,531</u>    | <u>-</u>  |
| Total Other Financing Sources (Uses)                         | <u>-</u>                   | <u>5,772,531</u>        | <u>5,772,531</u>    | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | -                          | 4,772,531               | 5,472,279           | 699,748   |
| <b>FUND BALANCE:</b>   |                            |                         |                     |   |
| BEGINNING OF YEAR  | <u>-</u>                   | <u>-</u>                | <u>-</u>            | <u>-</u>  |
| END OF YEAR  | <u>\$ -</u>                | <u>\$ 4,772,531</u>     | <u>\$ 5,472,279</u> | <u>\$ 699,748</u>                               |

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

## Aurora Crossroads Metropolitan District No. 2

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

For the Year Ended December 31, 2020

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | Variance<br>Favorable<br>(Unfavorable) |
|--|----------------------------|-------------------------|----------------------|--|
| <b>REVENUES</b>  |                            |                         |                      |  |
| Interest income  | \$ -                       | \$ -                    | \$ 18,004            | \$ 18,004                              |
| Total Revenues   | <u>-</u>                   | <u>-</u>                | <u>18,004</u>        | <u>18,004</u>                          |
| <b>EXPENDITURES</b>  |                            |                         |                      |  |
| Transfers to Aurora Crossroads Metro District No. 1          | -                          | 43,538,183              | 351,978              | 43,186,205                             |
| Bond issuance costs  | -                          | 1,461,817               | 1,461,817            | -                                      |
| Total Expenditures   | <u>-</u>                   | <u>45,000,000</u>       | <u>1,813,795</u>     | <u>43,186,205</u>                      |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | -                          | (45,000,000)            | (1,795,791)          | 43,204,209                             |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                            |                         |                      |  |
| Bond proceeds  | -                          | 45,000,000              | 45,000,000           | -                                      |
| Bond premium   | -                          | -                       | 384,712              | 384,712                                |
| Transfers (to) / from other funds                            | -                          | -                       | (5,772,531)          | (5,772,531)                            |
| Total Other Financing Sources (Uses)                         | <u>-</u>                   | <u>45,000,000</u>       | <u>39,612,181</u>    | <u>(5,387,819)</u>                     |
| <b>NET CHANGE IN FUND BALANCE</b>                            | -                          | -                       | 37,816,390           | 37,816,390                             |
| <b>FUND BALANCE:</b>   |                            |                         |                      |  |
| BEGINNING OF YEAR  | <u>-</u>                   | <u>-</u>                | <u>-</u>             | <u>-</u>                               |
| END OF YEAR  | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 37,816,390</u> | <u>\$ 37,816,390</u>                   |

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

**Aurora Crossroads Metropolitan District No. 2**

SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED

December 31, 2020

(Unaudited)

| <u>Year Ended<br/>December 31,</u>                   | <b>Prior<br/>Year Assessed<br/>Valuation<br/>for Current<br/>Year Property<br/>Tax Levy</b> | <u>Mills Levied</u> |                     | <u>Total Property Tax</u> |                  | <b>Percent<br/>Collected<br/>to Levied</b> |
|--|---|---------------------|---------------------|---------------------------|------------------|--|
|  |   | <u>General Fund</u> | <u>Debt Service</u> | <u>Levied</u>             | <u>Collected</u> |  |
| 2020   | \$ -  | 0.000               | 0.000               | \$ -                      | \$ -             | 0.00%                                      |
| Estimated for<br>year ending<br>December 31,<br>2021 | \$ 16,989,749   | 11.000              | 50.000              | \$ 1,036,375              |                  |  |

**NOTE**

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.