

**THE AURORA HIGHLANDS
COMMUNITY AUTHORITY BOARD
Adams County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	24
CAPITAL PROJECTS FUND– STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	25

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Aurora Highlands Community Authority Board
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of The Aurora Highlands Community Authority Board (the Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 The Aurora Highlands Community Authority Board, 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.

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Fiscal Focus Partners, LLC

Other Matters

Economic Dependency

As disclosed in Note 9 to the financial statements, the Authority has not yet established a revenue base sufficient to pay the Authority's operational expenditures. Until an independent revenue base is established, the Authority may be dependent upon the developer of the Authority'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 Authority'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
November 24, 2021

BASIC FINANCIAL STATEMENTS

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 148
Cash and Investments - Restricted	376,160
Due from Aerotropolis Area Coordinating Metro District	20,000
Capital Assets:	
Capital Assets, Not Being Depreciated	69,043,034
Total Assets	69,439,342
LIABILITIES	
Accounts Payable	71,210
Noncurrent Liabilities:	
Due in More Than One Year	76,100,769
Total Liabilities	76,171,979
NET POSITION	
Restricted for:	
Debt Service	20,000
Unrestricted	(6,752,637)
Total Net Position	\$ (6,732,637)

See accompanying Notes to Basic Financial Statements.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
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	\$ 27,257,792	\$ 148	\$ -	\$ 1,658,146	\$ (25,599,498)
Interest and Related Costs on Long-Term Debt	4,642,940	-	-	-	(4,642,940)
Total Governmental Activities	\$ 31,900,732	\$ 148	\$ -	\$ 1,658,146	(30,242,438)
SPECIAL ITEMS					
Transfer of Capital Assets from AACMD					63,583,490
Debt Forgiveness					150,257
Transfer of Long-Term Debt from AACMD					(40,223,946)
Total Special Items					23,509,801
CHANGE IN NET POSITION					(6,732,637)
Net Position - Beginning of Year					-
NET POSITION - END OF YEAR					\$ (6,732,637)

See accompanying Notes to Basic Financial Statements.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 148	\$ -	\$ -	\$ 148
Cash and Investments - Restricted	-	-	376,160	376,160
Due from Aerotropolis Area Coordinating Metro District	-	20,000	-	20,000
	<u>\$ 148</u>	<u>\$ 20,000</u>	<u>\$ 376,160</u>	<u>\$ 396,308</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 54	\$ -	\$ 71,156	\$ 71,210
Total Liabilities	<u>54</u>	<u>-</u>	<u>71,156</u>	<u>71,210</u>
FUND BALANCES				
Restricted for:				
Debt Service	-	20,000	-	20,000
Capital Projects	-	-	305,004	305,004
Unassigned	94	-	-	94
Total Fund Balances	<u>94</u>	<u>20,000</u>	<u>305,004</u>	<u>325,098</u>
Total Liabilities and Fund Balances	<u>\$ 148</u>	<u>\$ 20,000</u>	<u>\$ 376,160</u>	
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.				69,043,034
Long-term liabilities, including developer advances, are not due and payable in the current period and, therefore, are reported in the funds.				
Bonds Payable				(70,040,570)
Accrued Interest - Bonds Payable				(1,795,221)
Developer Advances				(3,951,770)
Accrued Interest - Developer Advances				(313,208)
Net Position of Governmental Activities				<u>\$ (6,732,637)</u>

See accompanying Notes to Basic Financial Statements.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Homeowner Maintenance Fees	\$ 148	\$ -	\$ -	\$ 148
Intergovernmental Revenue - AACMD	-	-	1,553,146	1,553,146
System Development Fees	-	105,000	-	105,000
Total Revenues	<u>148</u>	<u>105,000</u>	<u>1,553,146</u>	<u>1,658,294</u>
EXPENDITURES				
Current:				
Miscellaneous	54	-	-	54
Intergovernmental Expense - AACMD	370,000	-	-	370,000
Debt Service:				
Bond Interest - Series 2020A Bonds	-	85,000	-	85,000
Capital:				
Bond Issue Costs	-	-	2,617,798	2,617,798
Capital Outlay	-	-	5,459,544	5,459,544
Intergovernmental Expense - AACMD	-	-	26,887,738	26,887,738
Total Expenditures	<u>370,054</u>	<u>85,000</u>	<u>34,965,080</u>	<u>35,420,134</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(369,906)	20,000	(33,411,934)	(33,761,840)
OTHER FINANCING SOURCES (USES)				
2020A Bond Proceeds	-	-	63,972,452	63,972,452
2020B Bond Proceeds	-	-	6,068,118	6,068,118
Developer Advances	370,000	-	288,183	658,183
Repay Developer Advances	-	-	(36,611,815)	(36,611,815)
Total Other Financing Sources (Uses)	<u>370,000</u>	<u>-</u>	<u>33,716,938</u>	<u>34,086,938</u>
NET CHANGE IN FUND BALANCES	94	20,000	305,004	325,098
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ 94</u>	<u>\$ 20,000</u>	<u>\$ 305,004</u>	<u>\$ 325,098</u>

See accompanying Notes to Basic Financial Statements.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 325,098

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 5,459,544

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:

Current Year Bond Issuance	(70,040,570)
Current Year Developer Advances	(658,183)
Debt Forgiveness - Principal	97,275
Debt Forgiveness - Accrued Interest	52,982
Repayment of Developer Advances	33,673,846
Repayment of Developer Advances - Accrued Interest	2,937,969
Transfer of Developer Advances - Principal from AACMD	(37,064,708)
Transfer of Developer Advances - Interest from AACMD	(3,159,238)

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 Bonds Payable - Change in Liability	(1,795,221)
Accrued Interest on Developer Advances Payable - Change in Liability	(144,921)
Transfer of Capital Assets from AACMD	<u>63,583,490</u>

Change in Net Position of Governmental Activities \$ (6,732,637)

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Homeowner Maintenance Fees	\$ 1,459,760	\$ 148	\$ (1,459,612)
Intergovernmental Transfers	7,970	-	(7,970)
Interest Income	50	-	(50)
Total Revenues	<u>1,467,780</u>	<u>148</u>	<u>(1,467,632)</u>
EXPENDITURES			
Accounting	100,000	-	100,000
Administrative	10,000	-	10,000
Billing and Fee Collection	15,000	-	15,000
Community Management	75,000	-	75,000
Covenant Enforcement	10,000	-	10,000
Insurance	50,000	-	50,000
Legal	200,000	-	200,000
Detention Pond Maintenance	250,000	-	250,000
Irrigation/Water	81,218	-	81,218
Landscape Maintenance	401,435	-	401,435
Landscape Enhancements/Reserves	2,500	-	2,500
Mailbox Maintenance	1,000	-	1,000
Miscellaneous	-	54	(54)
Parks and Trails	59,063	-	59,063
Snow Removal	100,000	-	100,000
Website Maintenance	1,000	-	1,000
Winter Watering	5,000	-	5,000
Intergovernmental Expense - AACMD	-	370,000	(370,000)
Contingency	98,784	-	98,784
Total Expenditures	<u>1,460,000</u>	<u>370,054</u>	<u>1,089,946</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,780	(369,906)	(377,686)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	370,000	370,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>370,000</u>	<u>370,000</u>
NET CHANGE IN FUND BALANCE	7,780	94	(7,686)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,780</u>	<u>\$ 94</u>	<u>\$ (7,686)</u>

See accompanying Notes to Basic Financial Statements.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

The Aurora Highlands Community Authority Board (the CAB), a public corporation and political subdivision of the state of Colorado, was established on November 21, 2019, and is governed pursuant to the power of Article XIV of the Colorado Constitution and in conformity with the provisions of Sections 29-1-203 and 203.5, C.R.S. The CAB operates under the First Amended and Restated Establishment Agreement (CABEA) entered into on April 16, 2020, with an effective date of November 21, 2019, by Aerotropolis Area Coordinating Metropolitan District (AACMD), The Aurora Highlands Metropolitan Districts Nos. 1-3 (TAHMD Nos. 1-3), and ATEC Metropolitan Districts Nos. 1-2 (ATEC MD Nos 1-2, and collectively with AACMD and TAH MD Nos. 1-3, the CAB Districts). The CAB's service area is within the boundaries of the Aurora Highlands Development (TAH), which is located in Adams County, Colorado, within the City of Aurora (the City) and consists of the combined service areas of the CAB Districts. As set forth in the CABEA, the primary purpose of the CAB is to coordinate the development of public improvements for the benefit of the CAB Districts, the residents, and property owners, and to own, operate, and maintain all public improvements within the service area.

The CAB follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The members of the Board of Directors for the CAB are appointed by the CAB Districts. The CAB is financially accountable for the CAB Districts and shall provide administrative services to the CAB Districts listed in the CABEA, but the CAB is not considered a component unit of any other primary governmental entity, including the CAB Districts, nor are any of the CAB Districts considered a component unit of the CAB.

The CAB 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 CAB 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 charges for services, operating contributions, and inter-governmental revenues.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CAB 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 system development fees, homeowner maintenance fees and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the CAB. The CAB 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 CAB reports the following major governmental funds:

The General Fund is the CAB'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 Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on bonds issued by the CAB.

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

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the CAB'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 CAB'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 CAB amended its budget for the year ended December 31, 2020.

Pooled Cash and Investments

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

Capital Assets

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

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

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

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the CAB's practice to use restricted resources first, then unrestricted resources as they are needed.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

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

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the CAB's practice to use the most restrictive classification first.

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:

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Statement of Net Position:

Cash and Investments	\$ 148
Cash and Investments - Restricted	376,160
Total Cash and Investments	\$ 376,308

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

Deposits with Financial Institutions	\$ 376,308
Total Cash and Investments	\$ 376,308

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 CAB's cash deposits had a bank balance and a carrying balance of \$376,308.

Investments

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

The CAB 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 CAB is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- . 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 CAB had no investments.

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	Retirement	Balance - December 31, 2020
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 69,043,034	\$ -	\$ 69,043,034
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>69,043,034</u>	<u>-</u>	<u>69,043,034</u>
Governmental Activities - Capital Assets, Net	<u>\$ -</u>	<u>\$ 69,043,034</u>	<u>\$ -</u>	<u>\$ 69,043,034</u>

AACMD acts as Project Manager to the CAB per a Project Management Intergovernmental Agreement (described in Note 6). All construction in progress benefitting the CAB Districts shall be transferred to the CAB. 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 AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the CAB's long-term obligations for the year ended December 31, 2020:

	Balance - December 31, 2019	Additions	Assumptions	Retirements	Balance - December 31, 2020	Due Within One Year
Governmental Activities						
Bonds from Direct Borrowings						
Special Tax Revenue						
Draw-Down Bonds:						
Series 2020A	\$ -	\$ 63,972,452	\$ -	\$ -	\$ 63,972,452	\$ -
Series 2020B	-	6,068,118	-	-	6,068,118	-
Accrued Interest on:						
Series 2020A	-	1,842,026	-	85,000	1,757,026	-
Series 2020B	-	38,195	-	-	38,195	-
Subtotal of Bonds from Direct Borrowings	-	71,920,791	-	85,000	71,835,791	-
Other Debts						
Developer Advances:						
Operations	-	370,000	815,945	97,275	1,088,670	-
Capital	-	288,183	36,248,763	33,673,846	2,863,100	-
Accrued Interest on:						
Developer Advances - Operations	-	39,441	96,172	52,982	82,631	-
Developer Advances - Capital	-	108,502	3,060,044	2,937,969	230,577	-
Subtotal - Other Debts	-	806,126	40,220,924	36,762,072	4,264,978	-
Total Long-Term Obligations	\$ -	\$ 72,726,917	\$ 40,220,924	\$ 36,847,072	\$ 76,100,769	\$ -

Special Tax Revenue Draw-Down Bonds, Series 2020A (the 2020A Bonds) and **Subordinate Special Tax Revenue Draw-Down Bonds, Series 2020B** (the 2020B Bonds, and together with the 2020A Bonds, the Bonds).

Bond Details

The CAB issued the Bonds on June 30, 2020, with an estimated par amount of \$165,159,327 for the 2020A Bonds and \$32,338,830 for the 2020B Bonds. The Bonds were issued on a "draw-down" basis, so that advances of the purchase price of the Bonds may be made by the Bond Purchaser to the Trustee in multiple installments in accordance with the terms and provisions of the 2020A and 2020B Trust Indentures. The minimum draw-down amount is \$100,000, except for the last draw-down amount.

As of December 31, 2020, the CAB issued seven (7) draws of the 2020A Bonds in the total amount of \$63,972,452, and two (2) draws of the 2020B Bonds in the total amount of \$6,068,118. Proceeds of the bond draws were used to pay the costs of issuance, establish an annual administrative reserve, repay principal and accrued interest on capital developer advances, purchase capital infrastructure from the Developer, and transfer to AACMD to fund current capital expenditures and establish a construction reserve.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Bond Details (Continued)

The 2020A Bonds and the 2020B Bonds bear interest at the rate of 8% and 9% per annum, respectively, and are structured as “cash flow” bonds, which means that no regularly scheduled payments of principal are due prior to the Bonds maturity date of December 15, 2059. Interest is payable from available Pledged Revenue on each December 15 (Interest Payment Date), beginning on December 15, 2020. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on the Bonds is not paid when due, such interest shall compound on each Interest Payment Date at the rate then borne by the Bonds.

The Bonds are subject to mandatory redemption in part by lot on December 15 (Mandatory Redemption Date) of each year commencing December 15, 2020 from available Pledged Revenue, to the extent of funds on deposit, if any, in the Mandatory Redemption Account of the 2020A Bond Fund twenty (20) days prior and the 2020B Bond Fund forty-five (45) days prior to the applicable Mandatory Redemption Date at a redemption price equal to the principal amount (with no redemption premium), plus accrued interest to the redemption date. The Bonds are subject to redemption prior to maturity, at the option of the CAB, on any date, as a whole or in integral multiples of \$1, upon payment of par, and accrued interest thereon, without redemption premium.

Events of default occur if the CAB fails to deposit with the Trustee all Pledged Revenue and/or the Subordinate Pledged Revenue or to apply the Pledged Revenue and/or Subordinate Pledged Revenue as required by the Indenture, defaults in performance or observance of covenants, agreements, or conditions per the Indentures or Bond Resolutions, subject to limitations set forth in the Indentures, or if the CAB files a petition under applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds. Due to the limited nature of the Pledged Revenue and the Subordinate Pledged Revenue, the failure to pay the principal of or interest on the Bonds when due shall not constitute an event of default.

The annual debt service requirements on the Bonds are not currently determinable since they are payable only from available Pledged Revenue.

Pledged Revenue

On June 30, 2020, the CAB entered into the Capital Pledge Agreements with the CAB Districts (see Note 1), which have covenanted to take certain actions with respect to generating Pledged Revenue, to secure repayment of the Bonds and any other Additional Obligations.

The 2020A Bonds are secured by and payable solely from and to the extent of the Pledged Revenue, generally consisting of the following CAB Districts' revenues, net of any costs of collections: (a) all Property Tax Revenue; (b) all Specific Ownership Tax Revenue; (c) all Capital Fees; (d) all Pledged PILOT Revenue; and (e) any other legally available moneys which the CAB Districts determine, in their absolute discretion, to transfer to the Trustee for credit to the 2020A Bond Fund.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Pledged Revenue (Continued)

The 2020B Bonds are secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, generally consisting of the following CAB Districts' revenues, net of any costs of collections: (a) all Subordinate Property Tax Revenue; (b) all Subordinate Specific Ownership Tax Revenue; (c) all Subordinate Capital Fees; (d) all Subordinate Pledged PILOT Revenue; and (e) any other legally available moneys which the CAB Districts determine, in their absolute discretion, to transfer to the Trustee for credit to the 2020B Bond Fund.

Property Tax Revenue

"Property Tax Revenues" are all moneys derived from imposition by the CAB Districts of the Required Debt Service Mill Levy net of the costs of collection and of any tax refunds or abatements authorized by or on behalf of the City.

"Subordinate Property Tax Revenues" are any Property Tax Revenues remaining after all debt service on the 2020A Bonds has been fully paid.

Specific Ownership Tax Revenue

"Specific Ownership Tax Revenues" are all moneys remitted to the CAB Districts pursuant to Section 42-3-107, C.R.S., or any successor statute, as a result of its imposition of the Required Debt Service Mill Levy.

"Subordinate Specific Ownership Tax Revenues" are any Specific Ownership Tax Revenues remaining after all debt service on the 2020A Bonds has been fully paid.

Capital Fees

"Capital Fees" are all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the CAB Districts for services, programs, or facilities furnished by the CAB Districts, including facility fees; and including the revenue derived from any action to enforce the collection of Capital Fees, net of the costs of collection, and the revenue derived from the sale or other disposition of property acquired by the CAB Districts from any action to enforce the collection of Capital Fees, net of the costs of collections.

Pursuant to Resolution No. 2020-04-01 of the CAB (the Facility Fee Resolution) the CAB imposes a Capital Fee at the time of building permit on any Single-Family (\$2,500) or Multi-Family (\$1,500) residential unit and commercial space (\$1.00 per square foot).

"Subordinate Capital Fees" are any amount of Capital Fees remaining after all debt service on the 2020A Bonds has been fully paid and the 2020A Bonds are no longer outstanding and all funds and accounts that are required to be funded in accordance with the terms of the resolutions, indentures, or other documents pursuant to which such 2020A Bonds were issued.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Pledged Revenue (Continued)

PILOT Revenues

“Pledged PILOT Revenues” are all revenues derived from collection of any payments in lieu or taxes made pursuant to the Declaration of Payment in Lieu of Taxes recorded in Adams County and charged against certain real and personal property for the benefit of the CAB.

“Subordinate Pledged PILOT Revenues” are any amount of Pledged PILOT Revenues remaining after all debt service on the 2020A Bonds has been fully paid and the 2020A Bonds are no longer outstanding and all funds and accounts that are required to be funded in accordance with the terms of the resolutions, indentures, or other documents pursuant to which such 2020A Bonds were issued.

Authorized Debt

Per the CABEA, each of the CAB Districts authorized, through the affirmative vote of their respective voting electors, the issuance of debt. On December 31, 2020, the CAB Districts had authorized, but unissued general obligation indebtedness in the following amounts for the following purposes:

	AACMD Authorized November 7, 2017 Election	TAHMD No.1 Authorized November 8, 2016 Election	TAHMD No.2 Authorized November 8, 2016 Election	TAHMD No.3 Authorized November 8, 2016 Election	ATEC No.1 Authorized November 5, 2019 Election	ATEC No.2 Authorized November 5, 2019 Election	Authorization Used	Remaining at December 31, 2020
Streets	\$ 8,000,000,000	\$ 4,000,000,000	\$ 4,000,000,000	\$ 4,000,000,000	\$ 4,000,000,000	\$ 4,000,000,000	\$ 65,177,160	\$ 27,934,822,840
Water Supply System	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	654,230	27,999,345,770
Storm and Sanitary Sewer	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	3,575,580	27,996,424,420
Parks and Recreation	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	633,600	27,999,366,400
Mosquito Control	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Fire Protection	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Television Relay/Translation	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Public Transportation	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Traffic and Safety Controls	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Debt Refunding	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Operations and Maintenance	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Intergovernmental Agreements	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Security	8,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	-	28,000,000,000
Total	\$ 104,000,000,000	\$ 52,000,000,000	\$ 52,000,000,000	\$ 52,000,000,000	\$ 52,000,000,000	\$ 52,000,000,000	\$ 70,040,570	\$ 363,929,959,430
Maximum Debt Issuance Authorized	\$ 8,000,000,000	\$ 4,000,000,000	\$ 4,000,000,000	\$ 4,000,000,000	\$ 4,000,000,000	\$ 4,000,000,000	\$ 70,040,570	\$ 27,929,959,430

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Multiple-Year Operation Funding Agreement

The CAB and The Aurora Highlands, LLC (TAH LLC) entered into the Multiple-Year Operating Funding Agreement (OFA) on June 23, 2020 to provide funds to the CAB for operation and maintenance expenses incurred by the CAB. Per the OFA, TAH LLC agrees to advance funds for ongoing operation and maintenance expenses incurred by the CAB through December 31, 2025 in the amount not to exceed \$4,000,000 (the Maximum Shortfall Amount). The CAB agrees to repay the advances from funds available after the payment of any debt service obligations and annual operation and maintenance expenses, which repayment is subject to annual budget appropriation. Simple interest shall accrue on each advance from the date of deposit at the rate of 8% per annum. In accordance with the OFA and the CABEA, the CAB shall repay in full the advances made to AACMD by HC Development and Management Services Inc. and TAH LLC per the Advance and Reimbursement Agreement and the 2017-2018 and 2019 Operations Funding Agreements, as amended, before any payments are to be made pursuant to the OFA. Pursuant to the CAB Establishment Agreement, as acknowledged by the OFA, the CAB has assumed AACMD's reimbursement obligations. The obligation due to Clayton Properties Group II, Inc. was discharged through a waiver and release dated July 22, 2020.

NOTE 6 AGREEMENTS

Mill Levy Policy Agreement

On June 30, 2020, the CAB and the CAB Districts entered into the Mill Levy Policy Agreement to set forth the agreement of the CAB Districts that the respective obligations of each CAB District under the CABEA and the applicable Capital Pledge Agreement are fair and equitable in light of the benefits received by the CAB Districts (Mill Levy Policy Agreement). Each CAB District agrees to cooperate and coordinate with each other to ensure that the mill levies determined by the CAB each year are imposed and transferred to the CAB in accordance with the applicable Capital Pledge Agreements. The Mill Levy Policy Agreement shall continue to be in effect until: (a) each CAB District agrees in writing to terminate the agreement; (b) no debt is outstanding; (c) all public improvements owned by the CAB or the CAB Districts have been conveyed to another governmental entity; and (d) all operations and maintenance obligations with respect to such public improvements and all other services performed by the CAB and the CAB Districts have been assumed by another governmental entity.

Capital Pledge Agreements

On June 30, 2020, the CAB Districts each respectively entered into the Capital Pledge Agreements (Capital Pledge Agreements) with the CAB and Zions Bancorporation, National Association, in its capacity as trustee under the 2020A and 2020B Bonds Indentures (the Indentures). Per the Capital Pledge Agreements, the CAB Districts agree to pay such portion of their operations and financing costs in accordance with the Indentures as may be funded with the District's Pledged Revenue and Subordinate Pledged Revenue (see Note 4) to the extent available to the Districts pursuant to the provisions of the Agreements and the Mill Levy Policy Agreement.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 AGREEMENTS (CONTINUED)

Capital Pledge Agreements (Continued)

In order to fund their payment obligations related to financing costs, the CAB Districts shall impose the Required Debt Service Mill Levy, in addition to all other taxes and direct annual taxes, so long as the Bonds or additional obligations remain outstanding and shall remit all their Pledged Revenue and Subordinate Pledged Revenue to the CAB. The Required Debt Service Mill Levy shall be determined by the CAB each year in accordance with the Mill Levy Policy Agreement and the requirements of the Capital Pledge Agreements. In addition, per the AACMD Capital Pledge Agreement, the Required Debt Service Mill Levy shall be determined on and after the date that the assessed valuation of AACMD is equal or greater than \$1,000,000.

In order to fund their payment obligations related to operations costs, TAHMD Nos.1-3 and ATEC No.2 shall impose the Required Operations Mill Levy, in addition to all other taxes and direct annual taxes, so long as the Bonds or additional obligations remain outstanding, to the extent required to provide for payment of the operations costs and shall promptly transfer their operations revenue to the CAB. The Required Operations Mill Levy shall be determined by the CAB each year in accordance with the Mill Levy Policy Agreement and the requirements of the Capital Pledge Agreements.

The Capital Pledge Agreements shall remain in effect until the date on which all amounts due with respect to the Bonds and any additional obligations have been defeased or paid in full, provided however, that if the payment obligation payable is not paid in full or defeased on such termination date, then the Districts shall continue to be obligated to levy the Required Debt Service Mill Levy and apply their Pledged Revenue to the repayment of such unpaid payment obligations; provided further, however, that in no event may TAHMD Nos. 1-3 and AACMD levy their Required Debt Service Mill Levy for longer than fifty (50) years after the year of the initial imposition of the Required Debt Service Mill Levy by the Districts in accordance with their Service Plans unless the Service Plans are amended to eliminate or extend such imposition term.

As of December 31, 2020, the CAB had Pledged Revenue available in the amount of \$105,000, which were collected by AACMD. Out of the total available, \$85,000 had been remitted by ACCMD to the CAB in 2020 and paid for the 2020A Bonds Interest. The remaining \$20,000 was collected by the CAB within 60 days after the year-end and thus, was recorded as a receivable on the statement of net position and the balance sheet.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 AGREEMENTS (CONTINUED)

Capital Construction and Reimbursement Agreement (In-Tract Improvements)

On June 24, 2020, the CAB entered into the Capital Construction and Reimbursement Agreement (Construction Agreement) with TAH LLC to finance the design and construction of In-Tract Improvements. Per the Construction Agreement, TAH LLC will enter into a Waiver and Release of Reimbursement Rights Agreement(s) with Builders or will advance funds to the CAB for the payment of Construction Related Expenses (as defined in the Construction Agreement). After acceptance of the In-Tract Improvements by the CAB, the verified costs thereof will be exchanged for equivalent value of 2020B Bonds in accordance with the 2020B Bond Indenture. The costs of the improvements are to be certified by an independent engineer as being reasonable and comparable for similar projects constructed in the local community. 2020B Bonds shall be issued to the Developer for equivalent value of verified costs and developer advances.

Amounts advanced to the CAB by TAH LLC for the Verified Costs of Construction Related Expenses are to accrue interest at the rate of 8% per annum for In-Tract Improvements. Per the CABEA, in 2020, the CAB utilized a portion of the 2020B Bond proceeds to pay for prior capital costs certified by an independent engineer in the amount of \$5,403,732.

Inclusion Agreements

Effective June 29, 2020, AACMD 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, AACMD 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. Upon the inclusion of real property into any one of the CAB Districts, such real property will be subject to the Required Debt Service Mill Levy imposed by the applicable CAB District and pledged under the applicable Capital Pledge Agreement to the CAB for the repayment of the 2020A Bonds and 2020B Bonds.

Project Management Intergovernmental Agreement

On April 10, 2020, the CAB and AACMD entered into a Project Management Intergovernmental Agreement (CAB Project Management IGA) to set forth the parties' understanding regarding the terms under which AACMD will coordinate the design, testing, engineering, and construction of the Public Improvements (as defined in the CAB Project Management IGA) on behalf of the CAB Districts and the CAB.

Intergovernmental Agreement Regarding Coordination of Facilities Funding for ATEC Metropolitan District No. 1 Projects

On June 23, 2020, the CAB, ATEC No. 1 and TAH LLC entered into an Intergovernmental Agreement Regarding Coordination of Facilities Funding for ATEC Metropolitan District No. 1 Projects (the ATEC Coordination IGA). The ATEC Coordination IGA sets forth the rights, obligations, and procedures with respect to the issuance of Additional Bonds to be issued by the CAB, construction of the Improvements (as defined in the ATEC Coordination IGA), and reimbursement of TAH LLC.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 AGREEMENTS (CONTINUED)

Operation and Maintenance Fee Resolution

Pursuant to Resolution No. 2020-10-01, the CAB has adopted an Operation and Maintenance Fee (the O&M Fee) to support the continuing operations and maintenance needs of certain facilities and improvements and to provide certain services for the benefit of and throughout the combined service areas of AACMD and TAH Nos. 1-3. The O&M Fee is imposed on each residential lot within TAH Nos. 1-3 in the amount of \$100/month and is subject to automatic annual adjustment based on the Consumer Price Index for the Denver-Aurora-Lakewood (CPI-U).

NOTE 7 NET POSITION

The CAB has net position consisting of two components – restricted and unrestricted.

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 CAB had the following restricted net position as of December 31, 2020:

Debt Service	\$ 20,000
Total	<u>\$ 20,000</u>

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

NOTE 8 RELATED PARTIES

The property within the CAB service area is owned by and is being developed by TAH LLC (the “Developer”) and/or entities affiliated with the Developer. The CAB has six Board members. Three of the six Board members of the CAB are affiliated with the Developer. Of the three members of the CAB Board who are not affiliated with the Developer, one is an employee of a company providing consulting services to AACMD, one is the spouse of the Board member who is an employee of the company providing such consulting services, and one is the spouse of a Board member who is affiliated with the Developer. As such, these Board members may have conflicts of interest in dealing with the CAB.

NOTE 9 ECONOMIC DEPENDENCY

The CAB 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 CAB will be dependent upon funding by TAH LLC.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 RISK MANAGEMENT

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

The CAB 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 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.

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 CAB'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.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12 SUBSEQUENT EVENTS

The CAB intends to issue Special Tax Revenue Refunding and Improvement Bonds in December 2021 in the estimated maximum amount of \$334,063,000 (2021A Bonds).

The 2021A Bonds are to be secured by and payable from the Pledged Revenue, consisting generally of the moneys derived from the following sources, net of any costs of collection: (a) the Property Tax Revenues of TAH District No. 1, the Property Tax Revenues of TAH District No. 2, the Property Tax Revenues of TAH District No. 3, the Property Tax Revenues of ATEC District No. 2, the Property Tax Revenues of the AACMD and together with TAH District No. 1, TAH District No. 2, TAH District No. 3, ATEC District No. 2, (the Taxing Districts, and individually each a Taxing District); (b) the Specific Ownership Tax Revenues of each Taxing District; (c) the Capital Fees of each Taxing District; (d) the Pledged PILOT Revenues of each Taxing District; and (e) any other legally available moneys which any Taxing District determines, in its absolute discretion, to transfer to the Trustee for credit to the Bond Fund under the Indenture.

The Bonds are to be structured as “cash flow” bonds, meaning that the Indenture contains no scheduled payments of principal on the Bonds other than at maturity. Instead, principal is payable on December 1 from the available Pledged Revenue, if any, pursuant to a mandatory redemption. Any amount of unpaid principal of or interest on the Bonds shall be deemed discharged on December 2 of the year that is the fiftieth (50th) year after the year in which the Last Residential District first imposed its debt service mill levy.

The proceeds of the Bonds are anticipated to be used to: (a) refund certain obligations previously issued by the CAB; (b) pay or reimburse Project Costs; and (c) pay certain costs incurred in connection with the issuance of the 2021A Bonds.

SUPPLEMENTARY INFORMATION

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
System Development Fees	\$ 355,000	\$ 105,000	\$ (250,000)
Other Income	2,000	-	(2,000)
Total Revenues	<u>357,000</u>	<u>105,000</u>	<u>(252,000)</u>
EXPENDITURES			
Bond Interest - Series 2020A Bonds	-	85,000	(85,000)
Bond Interest - Series 2020B Bonds	355,000	-	355,000
Contingency	2,000	-	2,000
Total Expenditures	<u>357,000</u>	<u>85,000</u>	<u>272,000</u>
NET CHANGE IN FUND BALANCE	-	20,000	20,000
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Other Income	\$ 80,963	\$ -	\$ -	\$ -
Intergovernmental Revenue - AACMD	-	-	1,553,146	1,553,146
Total Revenues	80,963	-	1,553,146	1,553,146
EXPENDITURES				
Bond Issue Costs	4,027,233	9,120,000	2,617,798	6,502,202
Capital Outlay	-	-	5,459,544	(5,459,544)
Intergovernmental Expense - AACMD Construction	92,991,804	218,880,000	23,848,288	195,031,712
Intergovernmental Expense - AACMD Construction Reserve	-	-	1,000,000	(1,000,000)
Intergovernmental Expense - AACMD ARTA	-	-	1,751,267	(1,751,267)
Intergovernmental Expense - AACMD Developer	-	-	288,183	(288,183)
Contingency	80,963	-	-	-
Total Expenditures	97,100,000	228,000,000	34,965,080	193,034,920
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(97,019,037)	(228,000,000)	(33,411,934)	194,588,066
OTHER FINANCING SOURCES (USES)				
2020A Bond Proceeds	92,886,357	190,000,000	63,972,452	(126,027,548)
2020B Bond Proceeds	4,132,680	38,000,000	6,068,118	(31,931,882)
Developer Advances	-	-	288,183	288,183
Repay Developer Advances - Principal	-	-	(33,673,846)	(33,673,846)
Repay Developer Advances - Interest	-	-	(2,937,969)	(2,937,969)
Total Other Financing Sources (Uses)	97,019,037	228,000,000	33,716,938	(194,283,062)
NET CHANGE IN FUND BALANCE				
	-	-	305,004	305,004
Fund Balance - Beginning of Year				
	-	-	-	-
FUND BALANCE - END OF YEAR				
	\$ -	\$ -	\$ 305,004	\$ 305,004