

ACC Metropolitan District

Annual Financial Report

December 31, 2021



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Independent Auditor's Report

To the Board of Directors
ACC Metropolitan District
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of ACC Metropolitan District (the "District") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the District, as of December 31, 2021 and the respective changes in financial position 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if



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there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

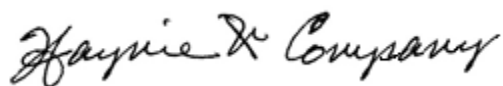
Required Supplementary Information

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information, as listed in the table of contents, 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 supplementary information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado

September 30, 2022

Basic Financial Statements

ACC Metropolitan District
Balance Sheet/Statement of Net Position
Governmental Funds
December 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments	Statement of Net Position
Assets						
Cash and investments	\$ 45,235	\$ -	\$ -	\$ 45,235	\$ -	\$ 45,235
Cash and investments - restricted	-	506,734	2,665,073	3,171,807	-	3,171,807
Property taxes receivable	85,259	845,849	-	931,108	-	931,108
Receivable - County Treasurer	202	2,008	-	2,210	-	2,210
Prepaid expenses	2,973	-	-	2,973	-	2,973
Capital assets, not being depreciated	-	-	-	-	12,976,335	12,976,335
Total assets	<u>\$ 133,669</u>	<u>\$ 1,354,591</u>	<u>\$ 2,665,073</u>	<u>\$ 4,153,333</u>	<u>\$ 12,976,335</u>	<u>\$ 17,129,668</u>
Liabilities						
Accounts payable	\$ 1,050	\$ 16,150	\$ 460,649	\$ 477,849	\$ -	\$ 477,849
Retainage payable	-	-	113,862	113,862	-	113,862
Long-term liabilities - due in more than a year						
Due within one year	-	-	-	-	110,000	110,000
Developer advances payable	-	-	-	-	4,678,209	4,678,209
Developer advances interest payable	-	-	-	-	517,220	517,220
Note payable	-	-	-	-	14,375,673	14,375,673
Total liabilities	<u>1,050</u>	<u>16,150</u>	<u>574,511</u>	<u>591,711</u>	<u>19,681,102</u>	<u>20,272,813</u>
Deferred Inflows of Resources						
Deferred property tax revenue	85,259	845,849	-	931,108	-	931,108
Total deferred inflows of resources	<u>85,259</u>	<u>845,849</u>	<u>-</u>	<u>931,108</u>	<u>-</u>	<u>931,108</u>
Fund Balances						
Nonspendable:						
Prepaid expense	2,973	-	-	2,973	(2,973)	-
Restricted:						
Emergency reserves	1,748	-	-	1,748	(1,748)	-
Debt service	-	492,592	-	492,592	(492,592)	-
Capital projects	-	-	2,090,562	2,090,562	(2,090,562)	-
Unassigned	42,639	-	-	42,639	(42,639)	-
Total Fund Balances	<u>47,360</u>	<u>492,592</u>	<u>2,090,562</u>	<u>2,630,514</u>	<u>(2,630,514)</u>	<u>-</u>
Total Liabilities, Fund Balance and Deferred Inflows of Resources	<u>\$ 133,669</u>	<u>\$ 1,354,591</u>	<u>\$ 2,665,073</u>	<u>\$ 4,153,333</u>		
Net Position:						
Net investment in capital assets						(2,967,684)
Restricted for:						
Emergency reserves						1,748
Unrestricted						(1,108,317)
Total Net Position						<u>\$ (4,074,253)</u>

The accompanying notes are an integral part of these financial statements.

ACC Metropolitan District
Statement of Revenues, Expenditures and
Changes in Fund Balances/Statement of Activities
Governmental Funds
For the Year Ended December 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 55,549	\$ 534,699	\$ -	\$ 590,248	\$ -	\$ 590,248
Specific ownership taxes	2,710	26,881	-	29,591	-	29,591
ARTA revenue	-	16,395	-	16,395	-	16,395
Interest income	-	18	-	18	-	18
Total Revenues	<u>58,259</u>	<u>577,993</u>	<u>-</u>	<u>636,252</u>	<u>-</u>	<u>636,252</u>
Expenditures						
Accounting	6,356	-	9,534	15,890	-	15,890
Audit	5,000	-	-	5,000	-	5,000
District Management	3,187	-	4,780	7,967	-	7,967
Insurance/SDA Dues	3,319	-	-	3,319	-	3,319
Legal	8,948	-	13,376	22,324	-	22,324
Miscellaneous	2,135	-	-	2,135	-	2,135
County Treasurer's fees	833	8,020	-	8,853	-	8,853
ARTA - one mill levy	-	16,396	-	16,396	-	16,396
Paying agent/trustee fees	-	12,243	-	12,243	-	12,243
Engineering	-	-	325,669	325,669	(325,669)	-
Other professional services	-	-	2,574	2,574	-	2,574
Note principal	-	220,000	-	220,000	(220,000)	-
Note interest	-	309,538	-	309,538	407,149	716,687
Issuance costs	-	105,613	-	105,613	-	105,613
Developer advance reimbursement	-	-	1,560,000	1,560,000	(1,560,000)	-
Capital outlay	-	-	3,859,441	3,859,441	(3,859,441)	-
Total Expenditures	<u>29,778</u>	<u>671,810</u>	<u>5,775,374</u>	<u>6,476,962</u>	<u>(5,557,961)</u>	<u>919,001</u>
Excess of revenues over (under) expenditures	28,481	(93,817)	(5,775,374)	(5,840,710)	5,840,710	-
Other financing sources (uses)						
Loan proceeds	-	4,805,673	375,000	5,180,673	(5,180,673)	-
Developer advance proceeds	-	-	508,910	508,910	(508,910)	-
Transfer from (to) other funds	-	(4,700,060)	4,700,060	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>105,613</u>	<u>5,583,970</u>	<u>5,689,583</u>	<u>(5,689,583)</u>	<u>-</u>
Net change in fund balances	28,481	11,796	(191,404)	(151,127)	151,127	-
Change in Net Position					(282,749)	(282,749)
Fund balances/Net position:						
Beginning of the year	<u>18,879</u>	<u>480,796</u>	<u>2,281,966</u>	<u>2,781,641</u>	<u>(6,573,145)</u>	<u>(3,791,504)</u>
End of the year	<u>\$ 47,360</u>	<u>\$ 492,592</u>	<u>\$ 2,090,562</u>	<u>\$ 2,630,514</u>	<u>\$ (6,855,894)</u>	<u>\$ (4,074,253)</u>

The accompanying notes are an integral part of these financial statements.

ACC Metropolitan District
Statement of Revenues, Expenditures
and Change in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 55,549	\$ 55,549	\$ 55,549	\$ -
Specific ownership taxes	2,200	2,200	2,710	510
Total Revenues	<u>57,749</u>	<u>57,749</u>	<u>58,259</u>	<u>510</u>
Expenditures				
Accounting	11,000	11,000	6,356	4,644
Audit	4,750	4,750	5,000	(250)
District management	15,000	15,000	3,187	11,813
Insurance/SDA Dues	4,000	4,000	3,319	681
Legal	15,000	15,000	8,948	6,052
Miscellaneous	1,500	7,684	2,135	5,549
County Treasurer's fees	833	833	833	-
Total Expenditures	<u>52,083</u>	<u>58,267</u>	<u>29,778</u>	<u>28,489</u>
Excess Revenue Over (Under)				
Expenditures	<u>5,666</u>	<u>(518)</u>	<u>28,481</u>	<u>28,999</u>
Other financing sources (uses)				
Interfund transfers (Emergency Reserve)	<u>1,732</u>	<u>1,732</u>	<u>-</u>	<u>(1,732)</u>
Total other financing sources (uses)	<u>1,732</u>	<u>1,732</u>	<u>-</u>	<u>(1,732)</u>
Net change in fund balance	7,398	1,214	28,481	27,267
Fund Balance—Beginning of year	<u>2,806</u>	<u>2,806</u>	<u>18,879</u>	<u>16,073</u>
Fund Balance—End of Year	<u>\$ 10,204</u>	<u>\$ 4,020</u>	<u>\$ 47,360</u>	<u>\$ 43,340</u>

The accompanying notes are an integral part of these financial statements.

ACC Metropolitan District

Notes to Financial Statements

December 31, 2021

1. Definition of Reporting Entity

ACC Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 12, 2003, as a quasi-municipal organization established under the State of Colorado Special District Act. A First Amended and Restated Service Plan was approved by the City of Aurora (the “City”) on August 22, 2011 and was additionally amended on May 21, 2018. The District’s service area is located in Adams County, Colorado. The District was established to finance and construct streets, water systems, sanitary sewer, parks and recreation, and other public infrastructure improvements that benefit the citizens of the District. The District’s primary revenues are property taxes. 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 provide 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.

2. Summary of Significant Accounting Policies

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct 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 the governmental funds. Major individual governmental funds are reported as separate columns in the 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. 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 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.

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund accounts 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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Budgetary Accounting

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.

Actual expenditures for the year ended December 31, 2021, in the Debt Service Fund exceeded budgeted appropriations which may be a violation of State statutes.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, 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 cash equivalents 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

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a 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.

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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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 qualify 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 only has one item that qualifies 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.

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 estimated fair 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.

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.

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 in April

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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.

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.

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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

Net Position

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

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets:* This component of net position consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component. As of 12/31/2021, the net inverment in capital assets is \$(2,967,684).
- *Restricted Fund Balances:* The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,748 of the General Fund balance has been restricted in compliance with this requirement. The restricted fund balance in the Debt Service Fund in the amount of \$492,592 is restricted for the payment of the costs associated with the Series 2019A and 2019B loan (See Note 5). The restricted fund balance in the Capital Projects Fund in the amount of \$2,090,562 is restricted for the payment of costs related to capital improvements within the District.
- *Unrestricted:* The component of net position that does not meet the definitions above.

3. Cash and Investments

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 45,235
Cash and investments—Restricted	<u>3,171,807</u>
Total cash and investments	<u>\$ 3,217,042</u>

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

3. Cash and Investments (continued)

Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 3,214,560
Investments - COLOTRUST	<u>2,482</u>
Total cash and investments	<u>\$ 3,217,042</u>

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.

As of December 31, 2021, the District’s cash deposits had a carrying balance of \$3,214,560 and bank balance of \$3,214,559.

Investments

The District categorizes its fair value measurements 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 (“NAV”) per share.

Credit Risk

The District’s investment policy requires that the District 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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

3. Cash and Investments (continued)

Interest Rate Risk

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

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- * local government investment pools.

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. There are not unfunded commitments, the redemption period frequency is daily, and there is no redemption period. 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, 2021, the District had \$2,482 invested in COLOTRUST.

ACC Metropolitan District

Notes to Financial Statements (continued)

December 31, 2021

4. Capital Assets

The following table presents capital assets activity of the District for the year ended December 31, 2021:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
Capital assets not being depreciated:				
Construction in progress	\$ 8,791,225	\$ 4,185,110	\$ -	\$12,976,335

5. Long-Term Obligations

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2021:

	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
Loans payable					
Series 2019A Loan	\$ 9,525,000	\$ 375,000	\$ 150,000	\$ 9,750,000	\$ 110,000
Series 2019B Loan	-	4,805,673	70,000	4,735,673	-
Subtotal loans payable	9,525,000	5,180,673	220,000	14,485,673	110,000
Developer advances:					
Facilities Funding:					
Capital - principal	5,657,987	508,910	1,560,000	4,606,897	-
Capital - interest	70,686	427,266	-	497,952	-
Operation Funding					
General - principal	71,312	-	-	71,312	-
General - interest	13,563	5,705	-	19,268	-
Subtotal developer advances:	5,813,548	941,881	1,560,000	5,195,429	-
Total	\$ 15,338,548	\$ 6,122,554	\$ 1,780,000	\$ 19,681,102	\$ 110,000

A description of the District's long-term obligations as of December 31, 2021 is as follows:

Loans Payable

Series 2019A & Series 2019B Loan Agreements

On September 26, 2019, the District entered into two loan agreements with Vectra Bank of Colorado.

ACC Metropolitan District

Notes to Financial Statements (continued)

December 31, 2021

5. Long-Term Obligations (continued)

Series 2019A Loan

The Series 2019A Loan ("2019A Loan") provides for a maximum aggregate borrowing in the amount of \$10,000,000, \$1,666,867 for the purpose of refunding the existing Taxable/Tax-Exempt General Obligation Limited Tax Note, Series 2013 and \$8,333,133 for the purpose of paying project costs (including all advances). \$6,125,000 of the total became immediately available upon execution of the 2019A Loan and \$3,875,000 is to be made available when, and if, advanced in the future. During July 2020, an additional \$3,500,000 was advanced on the loan. The 2019A Loan is secured by pledged revenue consisting of monies derived by the District from the required mill levy, the portion of specific ownership taxes allocable to the amount of the required mill levy and any other legally available monies which the Board determines in its sole discretion to apply as pledged revenue. Interest is due on June 1 and December 1 of each year commencing December 1, 2019 at an initial rate of 3.192%. The interest rate is based upon the Federal Home Loan Bank Board Fixed-Rate Advance rate plus 175 basis points times 80%, resetting December 1, 2024 and every three years thereafter. Principal repayments are required annually beginning December 1, 2020 and the 2019A Loan matures on December 1, 2049.

The following is a summary of the annual long-term debt principal and interest requirements for the 2019A Loan:

Series 2019A Loan					
	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2022	\$	110,000	\$	278,390	\$ 388,390
2023		120,000		275,393	395,393
2024		130,000		272,816	402,816
2025		155,000		268,525	423,525
2026-2030		945,000		1,268,910	2,213,910
2031-2035		1,327,500		1,111,106	2,438,606
2036-2040		1,847,500		886,016	2,733,516
2041-2045		2,480,000		576,854	3,056,854
2046-2049		2,635,000		173,640	2,808,640
	\$	9,750,000	\$	5,111,650	\$ 14,861,650

Series 2019B Loan

The Series 2019B loan ("2019B Loan") provides for a maximum borrowing of \$9,000,000 to be used for the purpose of paying or reimbursing the Project Costs as authorized in the 2003 Election. The 2019B Loan is secured by pledged revenue consisting of monies derived by the District from the required mill levy, the portion of specific ownership taxes allocable to the amount of the required mill levy and any other legally available monies which the Board determines in its sole discretion to apply as pledged revenue. Interest is due on June 1 and December 1 of each year at a rate of 2.216%.

ACC Metropolitan District

Notes to Financial Statements (continued)

December 31, 2021

5. Long-Term Obligations (continued)

A small principal repayment is expected in 2023 with a final balloon payment in 2024.

During 2021, an amount of \$4,805,673 was advanced on the loan and the balance as of December 31, 2021 is \$4,735,673.

The following is a summary of the annual long-term debt principal and interest requirements for the 2019B Loan:

		Series 2019B Loan		
	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2022	\$ -	\$	106,494	\$ 106,494
2023	96,000		106,494	202,494
2024	4,639,673		85,522	4,725,196
	<u>\$ 4,735,673</u>	<u>\$</u>	<u>298,510</u>	<u>\$ 5,034,183</u>

Debt Authorization

As of December 31, 2021, the District had voted authorized but unissued indebtedness of \$169,730,000.

Developer Advance Agreements

On June 18, 2018, the District entered into the Termination of Facilities Funding and Acquisition Agreement and Operation Funding Agreements with DVI and concurrently the District entered into a new Facilities Funding and Acquisition Agreement ("New FFA") and new 2018 Operation Funding Agreement ("New OFA") with FR Aurora Commerce Center Phase I, LLC ("FR Aurora") and all amounts due under the Funding Agreement and OFA to DVI will be paid to FR Aurora under the New FFA and New OFA, as described in more detail below.

New FFA

On June 18, 2018, the District entered into the New FFA with FR Aurora, whereby FR Aurora shall advance funds necessary to fund the construction related expenses incurred by the District for fiscal years 2018 through 2025, up to the Shortfall Amount of \$13,826,745. The District agrees to make payment to FR Aurora for all Prior Advances due to DVI, advances for construction related expenses and/or Verified Costs, together with interest thereon. The advances and/or verified costs and prior advances due DVI will bear simple interest at the rate of 8.0% per annum. In the event the District has not paid or reimbursed the Developer for any amounts due under the New FFA by December 31, 2058 or if the average useful life of the Improvements for which payment by the Developer is being sought has terminated, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

5. Long-Term Obligations (continued)

Balances of \$4,606,897 in principal and \$497,952 in accrued interest were outstanding as of December 31, 2021.

New OFA

On June 18, 2018, the District entered into the New OFA with FR Aurora, whereby FR Aurora shall advance funds necessary to fund, or shall directly pay, the operations and maintenance expenses needed for fiscal years 2018 through 2019, up to the Shortfall Amount of \$60,000. Pursuant to the New OFA, the District agrees to make payment to FR Aurora for all Prior Advances due to DVI, together with interest thereon. The advances and prior advances due DVI will bear simple interest at the rate of 8.0% per annum. In the event the District has not paid or reimbursed the Developer for any amounts due under the New OFA by December 31, 2059, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

Balances of \$71,312 in principal and \$19,268 in accrued interest were outstanding as of December 31, 2021.

6. 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, 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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

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 (the “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.

8. Related Party

The owner and developer of the property located within the boundaries of the District is FR Aurora. The members of the Board of Directors are employees of First Industrial Realty Trust, Inc., which is affiliated with FR Aurora, and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts of interest, if any, have been disclosed to the Board of Directors.

Supplementary Information

ACC Metropolitan District
Schedule of Revenues, Expenditures
and Change in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 534,700	\$ 534,700	\$ 534,699	\$ (1)
Specific ownership taxes	32,000	32,000	26,881	(5,119)
ARI revenue	16,396	16,396	16,395	(1)
Interest income	<u>2,000</u>	<u>2,000</u>	<u>18</u>	<u>(1,982)</u>
Total Revenue	<u>585,096</u>	<u>585,096</u>	<u>577,993</u>	<u>(7,103)</u>
Expenditures:				
Note principal	35,000	35,000	220,000	(185,000)
Note interest	232,416	232,416	309,538	(77,122)
Issuance costs	-	-	105,613	(105,613)
Paying agent fees	-	-	12,243	(12,243)
ARTA-one mill levy	-	-	16,396	(16,396)
Treasurer fees	-	-	8,020	(8,020)
Contingency	<u>-</u>	<u>22,584</u>	<u>-</u>	<u>22,584</u>
Total Expenditures	<u>267,416</u>	<u>290,000</u>	<u>671,810</u>	<u>(381,810)</u>
Excess Revenue Over (Under)				
Expenditures	<u>317,680</u>	<u>295,096</u>	<u>(93,817)</u>	<u>(388,913)</u>
Other financing sources (uses)				
Loan proceeds	-	-	4,805,673	4,805,673
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(4,700,060)</u>	<u>(4,700,060)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>105,613</u>	<u>105,613</u>
Net change in fund balances	<u>317,680</u>	<u>295,096</u>	<u>11,796</u>	<u>(283,300)</u>
Fund Balance—Beginning of year	<u>3,622,331</u>	<u>3,622,331</u>	<u>480,796</u>	<u>(3,141,535)</u>
Fund Balance—End of Year	<u>\$ 3,940,011</u>	<u>\$ 3,917,427</u>	<u>\$ 492,592</u>	<u>\$(3,424,835)</u>

ACC Metropolitan District
Schedule of Revenues, Expenditures
and Change in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Developer advance	\$ -	\$ 5,400,000	\$ 508,910	\$ (4,891,090)
Interest income	50	50	-	(50)
Total Revenues	50	5,400,050	508,910	(4,891,140)
Expenditures:				
Developer advance reimbursement	-	-	1,560,000	(1,560,000)
Management / Accounting	6,000	6,000	9,534	(3,534)
District management	9,000	9,000	4,780	4,220
Legal	15,000	15,000	13,376	1,624
Engineering	600,000	600,000	325,669	274,331
Professional services	15,000	15,000	2,574	12,426
Capital outlay	600,000	7,455,000	3,859,441	3,595,559
Contingency	100,000	100,000	-	100,000
Total Expenditures	1,345,000	8,200,000	5,775,374	2,424,626
Excess Revenue Over (Under) Expenditures	<u>(1,344,950)</u>	<u>(2,799,950)</u>	<u>(5,266,464)</u>	<u>(2,466,514)</u>
Other financing sources (uses)				
2019A Loan proceeds	600,000	600,000	375,000	(225,000)
Transfers from other funds	-	-	4,700,060	4,700,060
Total other financing sources (uses)	600,000	600,000	5,075,060	4,475,060
Net change in fund balances	<u>(744,950)</u>	<u>(2,199,950)</u>	<u>(191,404)</u>	<u>2,008,546</u>
Fund Balance—Beginning of year	<u>2,276,560</u>	<u>2,276,560</u>	<u>2,281,966</u>	<u>5,406</u>
Fund Balance—End of Year	<u>\$ 1,531,610</u>	<u>\$ 76,610</u>	<u>\$ 2,090,562</u>	<u>\$ 2,013,952</u>