

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
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YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Authority as of December 31, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Authority, 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 opinions.

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 Authority'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 Responsibility 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 opinions. 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 GAAS 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 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 GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Authority'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to 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 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 opinions on the basic financial statements are 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 Authority's basic financial statements. The supplementary information as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

Such 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.

Other Matters

Economic Dependency

As disclosed in Note 10 of 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.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
July 27, 2022

BASIC FINANCIAL STATEMENTS

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 78,151
Cash and Investments - Restricted	168,044,135
Accounts Receivable	5,145
Due from Aurora Highlands LLC	448,016
Due from Aerotropolis Area Coordinating Metro District	45,148
Prepaid Insurance	13,040
Capital Assets:	
Capital Assets, Not Being Depreciated	<u>112,625,732</u>
Total Assets	<u>281,259,367</u>
LIABILITIES	
Accounts Payable	322,520
Due to Aerotropolis Area Coordinating Metro District	6,531,469
Unearned Assessments	10,730
Noncurrent Liabilities:	
Due in More Than One Year	<u>299,438,763</u>
Total Liabilities	<u>306,303,482</u>
NET POSITION	
Restricted for:	
Emergencies (TABOR)	1,909
Unrestricted	<u>(25,046,024)</u>
Total Net Position	<u><u>\$ (25,044,115)</u></u>

See accompanying Notes to Basic Financial Statements.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
ASSETS				
Cash and Investments	\$ 69,614	\$ -	\$ 8,537	\$ 78,151
Cash and Investments - Restricted	1,909	188,255	167,853,971	168,044,135
Accounts Receivable	5,145	-	-	5,145
Due from Aurora Highlands LLC	-	-	448,016	448,016
Due from Aerotropolis Area Coordinating Metro District	148	45,000	-	45,148
Prepaid Insurance	13,040	-	-	13,040
	\$ 89,856	\$ 233,255	\$ 168,310,524	\$ 168,633,635
Total Assets	\$ 89,856	\$ 233,255	\$ 168,310,524	\$ 168,633,635
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 111,718	\$ 187,500	\$ 23,302	\$ 322,520
Due to Aerotropolis Area Coordinating Metro District	-	-	6,531,469	6,531,469
Unearned Assessments	10,730	-	-	10,730
Total Liabilities	122,448	187,500	6,554,771	6,864,719
FUND BALANCES				
Nonspendable:				
Prepaid Amounts	13,040	-	-	13,040
Restricted for:				
Emergencies (TABOR)	1,909	-	-	1,909
Debt Service	-	45,755	-	45,755
Capital Projects	-	-	161,755,753	161,755,753
Unassigned	(47,541)	-	-	(47,541)
Total Fund Balances (Deficit)	(32,592)	45,755	161,755,753	161,768,916
Total Liabilities and Fund Balances	\$ 89,856	\$ 233,255	\$ 168,310,524	
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.				112,625,732
Long-term liabilities, including developer advances, are not due and payable in the current period and, therefore, are reported in the funds.				
Bonds Payable				(297,464,000)
Accrued Interest - Bonds Payable				(427,605)
Developer Advances				(1,363,670)
Accrued Interest - Developer Advances				(183,488)
Net Position of Governmental Activities				\$ (25,044,115)

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, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Homeowner Maintenance Fees	\$ 44,098	\$ -	\$ -	\$ 44,098
Intergovernmental Revenue	19,530	-	-	19,530
System Development Fees	-	295,000	-	295,000
Total Revenues	<u>63,628</u>	<u>295,000</u>	<u>-</u>	<u>358,628</u>
EXPENDITURES				
General and Administrative				
Accounting	84,651	-	3,792	88,443
Audit	-	-	-	-
Billing and Fee Collection	23,095	-	-	23,095
Community Management	33,000	-	-	33,000
Community Relations	7,273	-	-	7,273
Covenant Enforcement	25,210	-	-	25,210
District Management	45,884	-	-	45,884
Dues and Licenses	2,401	-	-	2,401
Insurance	1,485	-	-	1,485
Legal	214,823	-	233,216	448,039
Media Relations	1,935	-	-	1,935
Miscellaneous	409	-	-	409
Website Maintenance	297	-	-	297
Operations and Maintenance				
Electricity	10,866	-	-	10,866
Irrigation/Water	19,995	-	-	19,995
Snow Removal	14,523	-	-	14,523
Trash and Recycling	3,853	-	-	3,853
Intergovernmental Expense - AACMD Developer	85,000	-	-	85,000
Intergovernmental Expense - AACMD	72,364	-	-	72,364
Reimbursement to Richmond	19,200	-	-	19,200
Debt Service:				
Bond Issue Costs	-	5,699,011	651,841	6,350,852
Bond Interest - Series 2020A Bonds	-	270,000	-	270,000
Paying Agent Fee	-	5,000	-	5,000
Capital:				
Capital Outlay	-	-	5,997,041	5,997,041
Intergovernmental Expense - AACMD Developer	-	-	-	-
Reimbursement	-	-	38,697	38,697
Intergovernmental Expense - AACMD	-	-	40,925,531	40,925,531
Total Expenditures	<u>666,264</u>	<u>5,974,011</u>	<u>47,850,118</u>	<u>54,490,393</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(602,636)	(5,679,011)	(47,850,118)	(54,131,765)
OTHER FINANCING SOURCES (USES)				
2020A Bond Proceeds	-	-	27,951,921	27,951,921
2020B Bond Proceeds	-	-	5,107,541	5,107,541
Bond Proceeds Series 2021A	-	297,464,000	-	297,464,000
Payment to Refunding Agent	-	(111,646,993)	-	(111,646,993)
Developer Advances	275,000	-	6,579,390	6,854,390
Developer Reimbursements	-	-	38,697	38,697
Repay Developer Advance Principal	-	-	(9,729,597)	(9,729,597)
Repay Developer Advance Interest	-	-	(885,282)	(885,282)
Transfer from AACMD- Debt Assumption	-	-	420,906	420,906
Transfer from Other Funds	294,950	5,000	180,117,241	180,417,191
Transfer to Other Funds	-	(180,117,241)	(299,950)	(180,417,191)
Total Other Financing Sources (Uses)	<u>569,950</u>	<u>5,704,766</u>	<u>209,300,867</u>	<u>215,575,583</u>
NET CHANGE IN FUND BALANCES	(32,686)	25,755	161,450,749	161,443,818
Fund Balances - Beginning of Year	94	20,000	305,004	325,098
FUND BALANCES (DEFICITS) - END OF YEAR	\$ (32,592)	\$ 45,755	\$ 161,755,753	\$ 161,768,916

See accompanying Notes to Basic Financial Statements.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 161,443,818

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	5,997,041
Transfer of Capital Assets from AACMD	37,585,657

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	(330,523,462)
Current Year Developer Advances	(6,854,390)
Repayment of Developer Advances	9,729,597
Repayment of Developer Advances - Accrued Interest	885,282
Payment to Escrow Agent	111,646,993
Transfer of Developer Advances from AACMD - Principal	(415,353)
Transfer of Developer Advances from AACMD - Interest	(5,553)

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	(7,179,345)
Accrued Interest on Developer Advances Payable - Change in Liability	(621,763)

Change in Net Position of Governmental Activities	\$ (18,311,478)
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**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Homeowner Maintenance Fees	\$ 402,000	\$ 44,098	\$ (357,902)
Intergovernmental Transfers	18,652	19,530	878
Park/Open Space Fees	23,149	-	(23,149)
Special Assessments	3,930	-	(3,930)
Total Revenues	<u>447,731</u>	<u>63,628</u>	<u>(384,103)</u>
EXPENDITURES			
General and Administrative			
Accounting	90,000	84,651	5,349
Audit	10,000	-	10,000
Billing and Fee Collection	18,090	23,095	(5,005)
Community Management	33,500	33,000	500
Community Relations	-	7,273	(7,273)
Covenant Enforcement	4,500	25,210	(20,710)
District Management	85,000	45,884	39,116
Dues and Licenses	2,000	2,401	(401)
Insurance	25,000	1,485	23,515
Legal	90,000	214,823	(124,823)
Media Relations	-	1,935	(1,935)
Miscellaneous	-	409	(409)
Website Maintenance	7,000	297	6,703
Operations and Maintenance			
Detention Pond Maintenance	10,000	-	10,000
Electricity	4,061	10,866	(6,805)
Irrigation/Water	81,218	19,995	61,223
Landscape Maintenance	411,435	-	411,435
Mailbox Maintenance	1,500	-	1,500
Parks and Trails	13,000	-	13,000
Parks and Open Space	132,750	-	132,750
Snow Removal	133,589	14,523	119,066
Trash and Recycling	5,025	3,853	1,172
Winter Watering	10,000	-	10,000
Intergovernmental Expense - AACMD Developer	-	85,000	(85,000)
Intergovernmental Expense - AACMD	-	72,364	(72,364)
Reimbursement to Richmond	-	19,200	(19,200)
Contingency	71,082	-	71,082
Total Expenditures	<u>1,238,750</u>	<u>666,264</u>	<u>572,486</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(791,019)	(602,636)	188,383
OTHER FINANCING SOURCES (USES)			
Developer Advance	795,715	275,000	(520,715)
Transfer from Other Funds	-	294,950	294,950
Total Other Financing Sources (Uses)	<u>795,715</u>	<u>569,950</u>	<u>(225,765)</u>
NET CHANGE IN FUND BALANCE	4,696	(32,686)	(37,382)
Fund Balance - Beginning of Year	<u>148</u>	<u>94</u>	<u>(54)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 4,844</u>	<u>\$ (32,592)</u>	<u>\$ (37,436)</u>

See accompanying Notes to Basic Financial Statements.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

The Aurora Highlands Community Authority Board (CAB), a political subdivision and public corporation 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. Throughout 2021, the CAB operated under the First Amended and Restated Establishment Agreement entered into on April 16, 2020,(subsequently amended pursuant to the Second Amended and Restated Establishment Agreement dated April 27, 2022) (CABEA), by and between Aerotropolis Area Coordinating Metropolitan District (AACMD), The Aurora Highlands Metropolitan Districts Nos. 1-3 (TAH 1-3), and ATEC Metropolitan Districts Nos. 1-2 (ATEC 1-2, and collectively with AACMD and TAH 1-3, CAB Districts). It is anticipated that three additional metropolitan districts, The Aurora Highlands Metropolitan District Nos. 4-6, will adopt the CABEA and become CAB Districts in 2022. The CAB's service area is within the boundaries of The Aurora Highlands master planned development, which is located in Adams County, Colorado, within the City of Aurora (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.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 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 AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021.

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.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Deficits

General Fund had a deficit fund balance in the amount of \$32,592 reported in the fund financial statements as of December 31, 2021. It is anticipated that this deficit will be eliminated with intergovernmental revenues in 2022.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 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	\$ 78,151
Cash and Investments - Restricted	<u>168,044,135</u>
Total Cash and Investments	<u><u>\$ 168,122,286</u></u>

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

Deposits with Financial Institutions	\$ 268,315
Investments	<u>167,853,971</u>
Total Cash and Investments	<u><u>\$ 168,122,286</u></u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

On December 31, 2021, the CAB's cash deposits had a bank balance of \$324,765 and a carrying balance of \$268,315.

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.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2021, the CAB had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
JP Morgan 100% U.S. Treasury Securities	Weighted-Average Under 60 Days	<u>\$ 167,853,971</u>
		<u>\$ 167,853,971</u>

JP Morgan 100% U.S. Treasury Securities Portfolio

The capital project monies that are included in the trust account at Zions Bancorporation, National Association, are invested in the JP Morgan 100% U.S. Treasury Securities Portfolio. This portfolio is a money market fund that is managed by J.P. Morgan Asset Management, and each share is maintained at a net asset value ("NAV") of \$1.00 per share. The fund is AAAM rated by S&P Rating and invests solely in debt securities of the U.S. Treasury, including Treasury bills, bonds, and notes. The dollar-weighted average maturity of the underlying securities is 60 days or less. The fund records its investments based on amortized costs.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

	Balance - December 31, 2020	Additions	Retirement	Balance - December 31, 2021
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 69,043,034	\$ 43,582,698	\$ -	\$ 112,625,732
Total Capital Assets, Not Being Depreciated	<u>69,043,034</u>	<u>43,582,698</u>	<u>-</u>	<u>112,625,732</u>
Governmental Activities - Capital Assets, Net	<u>\$ 69,043,034</u>	<u>\$ 43,582,698</u>	<u>\$ -</u>	<u>\$ 112,625,732</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.

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, 2021:

	Balance - December 31, 2020	Additions	Assumptions	Adjustments	Retirements	Balance - December 31, 2021	Due Within One Year
Governmental Activities							
Bonds Payable							
Special Tax Revenue Refunding and Improvement Bonds							
Series 2021A	\$ -	\$ 297,464,000	\$ -	\$ -	\$ -	\$ 297,464,000	\$ -
Accrued Interest on:							
Series 2021A	-	427,605	-	-	-	427,605	-
Subtotal of Bonds Payable	<u>-</u>	<u>297,891,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,891,605</u>	<u>-</u>
Bonds from Direct Borrowings							
Special Tax Revenue							
Draw-Down Bonds:							
Series 2020A	63,972,452	27,951,921	-	-	91,924,373	-	-
Series 2020B	6,068,118	5,107,541	-	-	11,175,659	-	-
Accrued Interest on:							
Series 2020A	1,757,026	6,425,567	-	-	8,182,593	-	-
Series 2020B	38,195	596,173	-	-	634,368	-	-
Subtotal of Bonds from Direct Borrowings	<u>71,835,791</u>	<u>40,081,202</u>	<u>-</u>	<u>-</u>	<u>111,916,993</u>	<u>-</u>	<u>-</u>
Other Debts							
Developer Advances:							
Operations	1,088,670	275,000	-	-	-	1,363,670	-
Capital	2,863,100	6,579,390	415,353	128,246	9,729,597	-	-
Accrued Interest on:							
Developer Advances - Operations	82,631	100,857	-	-	-	183,488	-
Developer Advances - Capital	230,577	650,618	5,553	1,466	885,282	-	-
Subtotal - Other Debts	<u>4,264,978</u>	<u>7,605,865</u>	<u>420,906</u>	<u>129,712</u>	<u>10,614,879</u>	<u>1,547,158</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 76,100,769</u>	<u>\$ 345,578,671</u>	<u>\$ 420,906</u>	<u>\$ 129,712</u>	<u>\$ 122,531,872</u>	<u>\$ 299,438,763</u>	<u>\$ -</u>

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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

2020 Bond Details

The CAB issued the 2020 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 2020 Bonds were issued on a “draw-down” basis, so that advances of the purchase price of the 2020 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 Indentures of Trust.

Prior to the refunding of the 2020 Bonds (see below), the CAB issued sixteen (16) draws of the 2020A Bonds in the total amount of \$91,924,373, and three (3) draws of the 2020B Bonds in the total amount of \$11,175,659. Proceeds of the draws on the 2020 Bonds 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 2020A Bonds and the 2020B Bonds bore interest at the rates of 8% and 9% per annum, respectively, and were structured as “cash flow” bonds, which means that no regularly scheduled payments of principal were due prior to the scheduled maturity date of December 15, 2059. Interest was payable from available Pledged Revenue on each December 15 of each year.

On December 22, 2021, the CAB refinanced the 2020A Bonds and the 2020B Bonds using proceeds from the 2021A Bonds as detailed below.

Special Tax Revenue Refunding and Improvement Bonds, Series 2021A (2021A Bonds) and **2021B Special Tax Revenue Draw Down Bonds, Series 2021B**, (2021B Bonds and together with the 2021A Bonds, 2021 Bonds).

2021 Bond Details

On December 22, 2021, the CAB issued the 2021A Bonds in the aggregate principal amount of \$297,464,000 and 2021B Bonds in the maximum aggregate principal amount of up to \$70,000,000.

2021A Bonds

The 2021A Bonds bear interest at the rate of 5.75% per annum and are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal or interest prior to the final maturity date of December 1, 2051. Proceeds from the sale of the 2021A Bonds were used to (a) refund the CAB’s 2020A Bonds and Series 2020B Bonds; (b) pay or reimburse Project Costs; and (c) pay certain costs incurred in connection with the issuance of the 2021A Bonds and the 2021B Bonds.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2021 Bond Details (Continued)

2021A Bonds (Continued)

Principal on the 2021A Bonds is payable on each December 1 from and to the extent of Pledged Revenue, if any, pursuant to a mandatory redemption. Interest not paid when due shall compound each December 1. To the extent any principal is not paid when due, such principal is to remain outstanding and is to continue to bear interest until the earlier of its payment or December 2 of the fiftieth year after the year in which the Last Residential District (as defined in the 2021A Trust Indenture) first imposed its debt service mill levy, regardless of the amount of principal and interest paid prior to such Termination Date, at which time all outstanding 2021A Bonds and the interest thereon shall be deemed to be paid, satisfied and discharged.

The 2021A Bonds are subject to redemption prior to maturity, at the option of the CAB, on December 1, 2028, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2028, to November 30, 2029	3.00%
December 1, 2029, to November 30, 2030	2.00
December 1, 2030, to November 30, 2031	1.00
December 1, 2031, and thereafter	0.00

The 2021A Bonds are payable solely from and to the extent of the Pledged Revenue, consisting generally of the moneys derived from the following sources, net of any costs of collection:

- (a) the Debt Service Property Tax Revenues of the TAH 1-3, AACMD, and ATEC 2 (Taxing Districts) derived from imposition by each of the Taxing Districts of its Required Debt Service Mill Levy;
- (b) the Debt Service Specific Ownership Tax Revenues of each of the Taxing Districts;
- (c) the Debt Service PILOT Revenues of each of the Taxing Districts;
- (d) the Single-Family Residential Facilities Fees; and
- (e) collected within the CAB service area any other legally available moneys which the CAB determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2021 Bonds Details (Continued)

2021A Bonds (Continued)

Each of the Taxing Districts is required, pursuant to individual Revenue Pledge Agreement (Note 6) with the CAB, to impose an ad valorem mill levy upon all taxable property within the Taxing District's boundaries beginning in the tax levy year 2024 (for collection in 2025), with respect to TAH 1 or ATEC 2, or in the first tax levy year in which the assessed valuation is equal to or greater than \$10,000,000, with respect to TAH 3 and AACMD.

The Required Debt Service Mill Levy shall be imposed (a) for TAH 1-3, in the amount of 50 mills; (b) for ATEC 2, in the amount of 29 mills; and (c) for AACMD in the amount of 29 or 50 mills, as determined by whether the property within AACMD's boundaries is developed for residential, non-residential, or high-density residential uses, all as subject to adjustment for changes in the ratio of actual valuation to assessed valuation on or after January 1, 2004.

2021B Bonds

Concurrently with the issuance of the 2021A Bonds, the CAB also issued its 2021B Bonds. The purposes of the 2021B Bonds are to (i) pay or reimburse Project Costs, (ii) pay Draw Fees, and (iii) pay Working Capital Costs (Bond Purposes).

The 2021B Bonds constitute draw down obligations of the CAB, and the principal amount thereof at issuance was zero. Draws on the 2021B Bonds shall bear interest at a variable rate reset annually on each anniversary of the initial draw date. The interest rate is the Municipal Market Data (MMD) BBB, 30-year index on the Annual Interest Reset Date plus 5.0%, with a maximum interest rate of 9.0% per annum. The 2021B Bonds are payable to the extent of Subordinate Pledged Revenue available on December 15 of each year, commencing on December 15 of the first year in which no Series 2021A Senior Bond is outstanding, and mature on December 15, 2061.

To the extent principal of any 2021B Bond is not paid on or prior to the maturity date of such Bond, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the 2021B Bond, and to the extent interest on any 2021B Bond is not paid when due, such interest shall compound annually on each December 15, at the rate then borne by the 2021B Bond.

Subordinate Pledged Revenue means all Senior Pledged Revenue available and remaining on and after the first date on which no Series 2021A Senior Bonds are outstanding. No Pledged Revenue may be applied to the payment of the 2021B Bonds until the earlier of the date all amounts due and payable on the 2021A Senior Bonds have been paid or the Termination Date.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2021 Bonds Details (Continued)

2021B Bonds (Continued)

Events of Default

Events of default under the 2021 Bonds occur if the CAB does not apply Pledged Revenue in accordance with the Indentures of Trust, and other customary terms and conditions consistent with normal municipal financings as described in the Indentures of Trust.

The annual debt service requirements of the 2021A and 2021B Bonds are not currently determinable since they are payable only from available Pledged Revenue.

Authorized Debt

The CAB's authority to issue debt is limited by and to the extent of the authority of the CAB Districts' Service plans debt authorization limits. Although the eligible electors voting in the CAB Districts' elections have voted to authorize debt in excess of their respective Service Plan limitations, neither the CAB Districts nor the CAB may issue debt in excess of the amounts authorized in the Service Plans.

	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	Total Authorized November 5, 2019 Election
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	\$ 28,000,000,000
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	28,000,000,000
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	28,000,000,000
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	28,000,000,000
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	\$ 52,000,000,000
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	\$ 4,000,000,000

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

	Total Authorized November 5, 2019 Election	Used for 2020 Bonds	Used for 2021 Bonds	Remaining at December 31, 2021
Streets				
Water Supply System	\$ 28,000,000,000	\$ 65,177,160	\$ 172,914,424	\$ 27,761,908,416
Storm and Sanitary Sewer	28,000,000,000	654,230	1,735,666	27,997,610,104
Parks and Recreation	28,000,000,000	3,575,580	9,485,982	27,986,938,438
Mosquito Control	28,000,000,000	633,600	1,680,935	27,997,685,465
Fire Protection	28,000,000,000	-	-	28,000,000,000
Television Relay/Translation	28,000,000,000	-	-	28,000,000,000
Public Transportation	28,000,000,000	-	-	28,000,000,000
Traffic and Safety Controls	28,000,000,000	-	-	28,000,000,000
Debt Refunding	28,000,000,000	-	-	28,000,000,000
Operations and Maintenance	28,000,000,000	-	111,646,993	27,888,353,007
Intergovernmental Agreements	28,000,000,000	-	-	28,000,000,000
Security	28,000,000,000	-	-	28,000,000,000
Total	<u>28,000,000,000</u>	<u>-</u>	<u>-</u>	<u>28,000,000,000</u>
	<u>\$ 52,000,000,000</u>	<u>\$ 70,040,570</u>	<u>\$ 297,464,000</u>	<u>\$ 363,632,495,430</u>
Maximum Debt Issuance Authorized	<u>\$ 4,000,000,000</u>	<u>\$ 70,040,570</u>	<u>\$ 297,464,000</u>	<u>\$ 3,632,495,430</u>

Multiple-Year Operation Funding Agreement

The CAB and Aurora Highlands, LLC (AH 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, AH 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 advances made to AACMD by AH LLC and HC Development and Management Services Inc. pursuant to an Advance and Reimbursement Agreement dated January 19, 2005 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 CABEA, as acknowledged by the OFA, the CAB has assumed AACMD's reimbursement obligations. As of December 31, 2021, outstanding advances under the OFA totaled \$1,363,670 and accrued interest of \$183,488.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Discharge of Earlier Reimbursement Obligations

Pursuant to Waiver and Release agreements dated July 22, 2020, (i) Clayton Properties Group II, Inc., for itself and as successor in interest to C&H Ranch Company, LLC, HC Development & Management Services, Inc, Oakwood Homes, LLC and the Oakwood Entities have released AACMD from any reimbursement obligation for advances made through October 2012, and TAH 1-3 and 6 from reimbursement on advances made on or before April 1, 2007; and (ii) Green Valley Aurora, LLC and Aurora Highlands, LLC have released AACMD an TAH 1-3 and 6 from any reimbursement obligation prior to April 1, 2007.

NOTE 6 AGREEMENTS

Mill Levy Policy Agreement

On June 30, 2020, the CAB and the CAB Districts entered into the Mill Levy Policy Agreement, which was amended on December 22, 2021, 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
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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, TAH 1-3 and ATEC .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 TAH 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, 2021, the CAB had Pledged Revenue available in the amount of \$315,000, which were collected by AACMD. Out of the total available, the CAB paid \$270,000 for the 2020A Bonds Interest. As of December 22, 2021, the Revenue Pledge Agreements superseded and relaced the Capital Pledge Agreements.

Revenue Pledge Agreements

On December 22, 2021, the CAB and each of the CAB Districts entered into separate Revenue Pledge Agreements (Pledge Agreements). Per the Pledge Agreements, each CAB District is required to impose a debt service mill levy and pledge the revenues derived therefrom to the payment of the 2021 Bonds (Note 5). The Required Debt Service Mill Levy required to first be imposed by TAH 1 in levy year 2024 (for collection in 2025), by TAH 2-3, AACMD and ATEC 2 in the year during which the actual assessed valuation of the taxable property within the relevant CAB District is equal to or more than \$10,000,000.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 AGREEMENTS (CONTINUED)

Revenue Pledge Agreements (Continued)

The Pledge Agreements shall remain in effect until the date on which all amounts due with respect to the 2021 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 TAH 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.

The Pledge Agreements additionally require the CAB Districts to impose the Required Operations Mill Levy. TAH 1-2 and AACMD are required to impose 70 mills less the number of mills equal to the Required Debt Service Mill Levy; and TAH 3 and ATEC 1-2 are required to impose the Required Operations Mill Levy not exceeding 70 and 35 mills correspondingly. Such number of mills is subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement on or after January 1, 2004), net of the costs of collections and any tax refunds or abatements authorized by or on behalf of the County. The Required Operations Mill Levy will be provided to the CAB for the purpose of funding the CAB's operating costs.

Capital Construction and Reimbursement Agreement (In-Tract Improvements)

On December 22, 2021, the CAB entered into the Amended and Restated Capital Construction and Reimbursement Agreement (Agreement) with AH LLC to amend and restate the Capital Construction and Reimbursement Agreement dated June 24, 2020. Pursuant to the Amended Agreement, AH LLC will, on occasion, advance funds to the CAB for the payment of Construction related expenses (as defined in the Agreement). The Agreement also authorizes the CAB and AH LLC to enter into Waiver and Release of Reimbursement Rights Agreement(s) with builders providing that the builders of certain public improvements (In-Tract Improvements) within the CAB's service area waive any right to reimbursement for the Construction Related Expenses thereof in favor of reimbursement for all such costs to AH LLC. After acceptance of the In-Tract Improvements by the CAB, the verified costs thereof will be exchanged for equivalent value of 2021 Bonds and in accordance with the 2021 Bonds Indentures. 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. 2021 Bonds shall be issued to the Developer for equivalent value of verified costs and developer advances. As of December 31, 2021, the CAB has entered into Waiver and Release of Reimbursement Rights Agreements with Taylor Morrison of Colorado, Inc., Tri-Pointe Homes Holdings, Inc., Pulte Home Company, LLC, and Richmond American Homes of Colorado, Inc.

Amounts advanced to the CAB by AH 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 2021, the CAB utilized a portion of 2021A Bonds to pay for prior capital costs certified by an independent engineer in the amount of \$1,541,204.

**THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 AGREEMENTS (CONTINUED)

Inclusion Agreements

Effective June 29, 2020, AACMD entered into Inclusion Agreements with landowners (Owners) within its service area including Aurora Tech Center Holdings; GVR King Commercial, 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 a triggering event. The Inclusion Agreements were amended and restated on December 22, 2021 (Amended and Restated Inclusion Agreements). Under the Amended and Restated Inclusion Agreements, the Owners and AACMD agree to execute and process petitions for 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, or (b) the issuance of a building permit for the real property. Upon inclusion of real property into any of the CAB Districts, such real property will be subject to the required mill levies imposed by the applicable CAB District.

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 AH LLC entered into an Intergovernmental Agreement Regarding Coordination of Facilities Funding for ATEC Metropolitan District No. 1 Projects (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 AH LLC. On December 22, 2021, ATEC 1, the CAB, and Aurora Tech Center Development, LLC entered into a termination of the ATEC Coordination IGA in connection with an issuance of 2021A Bonds.

Agreement Regarding Coordination of Facilities Funding for ATEC Development Area

On December 22, 2021, the CAB and Aurora Tech Center Development, LLC (ATCD LLC) entered into an Agreement Regarding Coordination of Facilities Funding for ATEC Development Area (ATEC Coordination Agreement). The ATEC Coordination Agreement sets forth rights, obligations, and procedures with respect to the issuance of the CAB obligations, construction of the ATEC Improvements (as defined in the ATEC Coordination Agreement), and reimbursement of ATCD LLC.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 1-3. The O&M Fee is imposed on each residential lot within TAH 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).

Intergovernmental Agreement Regarding Sharing of Tax Revenue and Services

Effective January 1, 2021, the CAB and TAH 6 entered into an Intergovernmental Agreement Regarding Sharing of Tax Revenue and Services (TAH 6 IGA) pursuant to which the CAB agreed to provide for the planning, design, and construction of public improvements on behalf of TAH 6, and TAH 6 agreed to remit or transfer all ad valorem property taxes to the CAB within 30 days of the receipt thereof to cover all such costs. Subsequently, in 2022, TAH 6 adopted the CABEA, which addresses the same subject matter reflected in the TAH 6 IGA.

Intergovernmental Agreement Regarding Regional Transportation System Project Funding and Construction

Effective November 24, 2021, the CAB and Aerotropolis Regional Transportation Authority (ARTA) entered into an Intergovernmental Agreement Regarding Regional Transportation System Project Funding and Construction (RTS IGA). The RTS IGA allows the CAB, at its discretion and at different times during the term of the RTS IGA, to undertake or cause to be undertaken, as necessary, the planning, design, funding and/or completion of certain ARTA regional transportation system projects and accelerate the completion of such projects ahead of ARTA's intended milestones and capital construction schedule. In the event the CAB accelerates any regional transportation system projects under the RTS IGA, ARTA agrees to promptly reimburse the CAB for the actual costs incurred, subject to the availability of adequate funds and appropriations.

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, 2021:

Emergency Reserves	\$ 1,909
Total	<u>\$ 1,909</u>

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 NET POSITION (CONTINUED)

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. As of December 31, 2021, the CAB had deficit unrestricted net position in the amount of \$25,046,024.

NOTE 8 INTERFUND TRANSFERS/DUE TO OTHER DISTRICTS

Transfers from the Capital Project Fund to the General Fund and the Debt Service Fund were used to fund operating and debt service costs of the CAB.

Transfers from the Debt Service to the Capital Project Fund are proceeds from the 2021A Bonds and will be used to fund capital improvements.

Some costs of construction were incurred by AACMD in 2021 but funds related to the costs were financed and transferred to AACMD by the CAB in 2022. Such costs in the amount of \$6,531,469 were recorded as due to AACMD in the Statement of Net Position.

NOTE 9 RELATED PARTIES

The property within the CAB service area is being developed by AH LLC (Developer) and/or entities affiliated with the Developer. A significant portion of the property located within the CAB's service area is owned by 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 10 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 AH LLC.

THE AURORA HIGHLANDS COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 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 12 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations that apply to the state of Colorado and all local governments.

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

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.

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, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
System Development Fees	\$ 837,500	\$ 322,500	\$ 295,000	\$ (27,500)
Total Revenues	<u>837,500</u>	<u>322,500</u>	<u>295,000</u>	<u>(27,500)</u>
EXPENDITURES				
Bond Interest - Series 2020A Bonds	619,297	-	270,000	(270,000)
Cost of Issuance	-	23,000,000	5,699,011	17,300,989
Paying Agent Fee	-	5,000	5,000	-
Contingency	218,203	4,871,428	-	4,871,428
Total Expenditures	<u>837,500</u>	<u>27,876,428</u>	<u>5,974,011</u>	<u>21,902,417</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(27,553,928)	(5,679,011)	21,874,917
OTHER FINANCING SOURCES (USES)				
Bond Proceeds Series 2021A	-	375,000,000	297,464,000	(77,536,000)
Bond Proceeds Series 2021B	-	140,000,000	-	(140,000,000)
Payment to Refunding Agent	-	(111,666,072)	(111,646,993)	19,079
Transfer from Other Funds	-	-	5,000	5,000
Transfer to Other Funds	-	(350,800,000)	(180,117,241)	170,682,759
Total Other Financing Sources (Uses)	<u>-</u>	<u>52,533,928</u>	<u>5,704,766</u>	<u>(46,829,162)</u>
NET CHANGE IN FUND BALANCE	-	24,980,000	25,755	(24,954,245)
Fund Balance - Beginning of Year	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 25,000,000</u>	<u>\$ 45,755</u>	<u>\$ (24,954,245)</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, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other Income	\$ 5,798	\$ -	\$ -	\$ -
Total Revenues	5,798	-	-	-
EXPENDITURES				
Accounting	-	5,000	3,792	1,208
Legal	-	258,000	233,216	24,784
Bond Issue Costs	1,144,832	660,000	651,841	8,159
Capital Outlay	-	6,000,000	5,997,041	2,959
Intergovernmental Expense - AACMD Construction	40,000,000	41,386,454	32,150,683	9,235,771
Intergovernmental Expense - AACMD Construction Reserve	-	2,000,000	2,000,000	-
Intergovernmental Expense - AACMD ARTA	-	6,192,500	6,192,500	-
Intergovernmental Expense - AACMD Developer	-	671,046	582,348	88,698
Intergovernmental Expense - AACMD Developer Reimbursement	-	-	38,697	(38,697)
Contingency	237,127	9,112,756	-	9,112,756
Total Expenditures	41,381,959	66,285,756	47,850,118	18,435,638
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(41,376,161)	(66,285,756)	(47,850,118)	18,435,638
OTHER FINANCING SOURCES (USES)				
2020A Bond Proceeds	41,000,000	28,000,000	27,951,921	(48,079)
2020B Bond Proceeds	-	5,200,000	5,107,541	(92,459)
Developer Advances	-	6,618,088	6,579,390	(38,698)
Developer Reimbursements	-	-	38,697	38,697
Transfer from Other Funds	-	350,800,000	180,117,241	(170,682,759)
Transfer to Other Funds	-	-	(299,950)	(299,950)
Transfer from AACMD- Debt Assumption	-	-	420,906	420,906
Repay Developer Advances - Principal	-	(9,314,244)	(9,729,597)	(415,353)
Repay Developer Advances - Interest	-	(900,000)	(885,282)	14,718
Total Other Financing Sources (Uses)	41,000,000	380,403,844	209,300,867	(171,102,977)
NET CHANGE IN FUND BALANCE	(376,161)	314,118,088	161,450,749	(152,667,339)
Fund Balance - Beginning of Year	376,161	305,004	305,004	-
FUND BALANCE - END OF YEAR	\$ -	\$ 314,423,092	\$ 161,755,753	\$ (152,667,339)