

ACC Metropolitan District

**Annual Financial Statements
And Independent Auditor's Report**

December 31, 2022





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Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of ACC Metropolitan District (the "District") as of and for the year ended December 31, 2022 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 each major fund of the District, as of December 31, 2022 and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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.

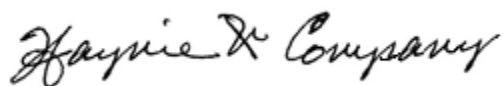
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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. Such 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, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado

November 29, 2023

Basic Financial Statements

**ACC Metropolitan District
Governmental Funds Balance Sheet/
Statement of Net Position (Deficit)
December 31, 2022**

| | General Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds | Adjustments | Statement of Net Position |
|---|-------------------|----------------------|--------------------------|--------------------------------|----------------------|---------------------------------|
| Assets | | | | | | |
| Cash and investments | \$ 62,276 | \$ - | \$ - | \$ 62,276 | \$ - | \$ 62,276 |
| Cash and investments - restricted | - | 788,218 | 395,825 | 1,184,043 | - | 1,184,043 |
| Property taxes receivable | 82,106 | 814,569 | - | 896,675 | - | 896,675 |
| Receivable - County Treasurer | 502 | 4,983 | - | 5,485 | - | 5,485 |
| Prepaid expenses and other current assets | 3,021 | 56 | - | 3,077 | - | 3,077 |
| Due from other funds | 38,789 | - | - | 38,789 | (38,789) | - |
| Capital assets, not being depreciated | - | - | - | - | 16,494,645 | 16,494,645 |
| Total assets | <u>\$ 186,694</u> | <u>\$ 1,607,826</u> | <u>\$ 395,825</u> | <u>\$ 2,190,345</u> | <u>\$ 16,455,856</u> | <u>\$ 18,646,201</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 1,847 | \$ - | \$ 130,504 | \$ 132,351 | \$ 34,167 | \$ 166,518 |
| Retainage payable | - | - | 226,532 | 226,532 | - | 226,532 |
| Due to other funds | - | - | 38,789 | 38,789 | (38,789) | - |
| Long-term liabilities | | | | | | |
| Due within one year | - | - | - | - | 223,613 | 223,613 |
| Due in more than one year | - | - | - | - | 21,213,781 | 21,213,781 |
| Total liabilities | <u>1,847</u> | <u>-</u> | <u>395,825</u> | <u>397,672</u> | <u>21,432,772</u> | <u>21,830,444</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred property tax revenue | 82,106 | 814,569 | - | 896,675 | - | 896,675 |
| Total deferred inflows of resources | <u>82,106</u> | <u>814,569</u> | <u>-</u> | <u>896,675</u> | <u>-</u> | <u>896,675</u> |
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid expense | 3,021 | 56 | - | 3,077 | (3,077) | - |
| Restricted: | | | | | | |
| Emergency reserves | 2,737 | - | - | 2,737 | (2,737) | - |
| Debt service | - | 793,201 | - | 793,201 | (793,201) | - |
| Unassigned | 96,983 | - | - | 96,983 | (96,983) | - |
| Total Fund Balances (Deficit) | <u>102,741</u> | <u>793,257</u> | <u>-</u> | <u>895,998</u> | <u>(895,998)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Position (Deficit) | <u>\$ 186,694</u> | <u>\$ 1,607,826</u> | <u>\$ 395,825</u> | <u>\$ 2,190,345</u> | | |
| Net Position (Deficit): | | | | | | |
| Net investment in capital assets | | | | | | (4,240,958) |
| Restricted for: | | | | | | |
| Emergency reserves | | | | | | 2,737 |
| Unrestricted | | | | | | 157,303 |
| Total Net Position (Deficit) | | | | | | <u>\$ (4,080,918)</u> |

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

ACC Metropolitan District
Governmental Funds Revenues, Expenditures and
Changes in Fund Balances/Statement of Activities
For the Year Ended December 31, 2022

| | General | Debt Service | Capital Projects | Total Governmental Funds | Adjustments | Statement of Activities |
|---|-------------------|-------------------|---------------------|--------------------------------|--------------------|-------------------------------|
| Revenues | | | | | | |
| Property taxes | \$ 85,259 | \$ 820,683 | \$ - | \$ 905,942 | - | 905,942 |
| Specific ownership taxes | 5,959 | 59,116 | - | 65,075 | - | 65,075 |
| ARTA revenue | - | 25,164 | - | 25,164 | - | 25,164 |
| Utility Refund | - | - | 28,528 | 28,528 | - | 28,528 |
| Interest income | - | 5,667 | 33 | 5,700 | - | 5,700 |
| Total Revenues | <u>91,218</u> | <u>910,630</u> | <u>28,561</u> | <u>1,030,409</u> | <u>-</u> | <u>1,030,409</u> |
| Expenditures | | | | | | |
| Accounting | 5,565 | - | 8,347 | 13,912 | - | 13,912 |
| Audit | 7,000 | - | - | 7,000 | - | 7,000 |
| District Management | 2,853 | - | 4,280 | 7,133 | - | 7,133 |
| Insurance/SDA Dues | 3,533 | - | - | 3,533 | - | 3,533 |
| Legal | 13,580 | - | 20,370 | 33,950 | - | 33,950 |
| Election | 787 | - | - | 787 | - | 787 |
| Miscellaneous | 1,241 | - | - | 1,241 | - | 1,241 |
| County Treasurer's fees | 1,278 | 12,307 | - | 13,585 | - | 13,585 |
| ARTA - one mill levy | - | 377 | - | 377 | - | 377 |
| Paying agent/trustee fees | - | 19,269 | - | 19,269 | - | 19,269 |
| Engineering | - | - | 224,380 | 224,380 | (224,380) | - |
| Other professional services | - | - | 14,731 | 14,731 | - | 14,731 |
| Note principal | - | 425,000 | - | 425,000 | (425,000) | - |
| Note interest | - | 393,075 | - | 393,075 | 492,511 | 885,586 |
| Capital outlay | - | - | 2,242,840 | 2,242,840 | (2,242,840) | - |
| Total Expenditures | <u>35,837</u> | <u>850,028</u> | <u>2,514,948</u> | <u>3,400,813</u> | <u>(2,399,709)</u> | <u>1,001,104</u> |
| Excess of revenues over (under) expenditures | 55,381 | 60,602 | (2,486,387) | (2,370,404) | 2,399,709 | 29,305 |
| Other financing sources (uses) | | | | | | |
| Loan proceeds | - | 635,888 | - | 635,888 | (635,888) | - |
| Developer advance proceeds | - | - | - | - | - | - |
| Transfer from (to) other funds | - | (395,825) | 395,825 | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>240,063</u> | <u>395,825</u> | <u>635,888</u> | <u>(635,888)</u> | <u>-</u> |
| Net change in fund balances | 55,381 | 300,665 | (2,090,562) | (1,734,516) | 1,763,821 | 29,305 |
| Fund balances/Net position: | | | | | | |
| Beginning of the year, as restated | <u>47,360</u> | <u>492,592</u> | <u>2,090,562</u> | <u>2,630,514</u> | <u>(6,891,864)</u> | <u>(4,110,223)</u> |
| End of the year | <u>\$ 102,741</u> | <u>\$ 793,257</u> | <u>\$ -</u> | <u>\$ 895,998</u> | <u>(5,128,043)</u> | <u>(4,080,918)</u> |

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

ACC Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2022

| | <u>Original/ Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|-----------------------------------|-------------------|---|
| Revenues | | | |
| Property taxes | \$ 85,259 | \$ 85,259 | \$ - |
| Specific ownership taxes | 2,200 | 5,959 | 3,759 |
| Total Revenues | <u>87,459</u> | <u>91,218</u> | <u>3,759</u> |
| Expenditures | | | |
| Accounting | 11,000 | 5,565 | 5,435 |
| Audit | 7,000 | 7,000 | - |
| District management | 15,000 | 2,853 | 12,147 |
| Election | 3,000 | 787 | 2,213 |
| Insurance/SDA Dues | 4,000 | 3,533 | 467 |
| Legal | 15,000 | 13,580 | 1,420 |
| Miscellaneous | 2,000 | 1,241 | 759 |
| County Treasurer's fees | 1,279 | 1,278 | 1 |
| Total Expenditures | <u>58,279</u> | <u>35,837</u> | <u>22,442</u> |
| Excess Revenue Over Expenditures | <u>29,180</u> | <u>55,381</u> | <u>26,201</u> |
| Other financing sources (uses) | | | |
| Interfund transfers (Emergency Reserve) | (2,624) | - | 2,624 |
| Total other financing sources (uses) | <u>(2,624)</u> | <u>-</u> | <u>2,624</u> |
| Net change in fund balance | 26,556 | 55,381 | 28,825 |
| Fund Balance—Beginning of year | <u>24,295</u> | <u>47,360</u> | <u>23,065</u> |
| Fund Balance—End of Year | <u>\$ 50,851</u> | <u>\$ 102,741</u> | <u>\$ 51,890</u> |

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

ACC Metropolitan District

Notes to Financial Statements

December 31, 2022

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 “Service Plan”). 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 (deficit) 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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

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

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 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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

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.

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.

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, 2022, 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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Estimates

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

Deferred Outflows/Inflows of Resources

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

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

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 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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

- *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.

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 consists 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 12/31/2022, the net investment in capital assets is \$(4,240,958) (See Note 4).
- *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 \$2,737 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 \$793,201 is restricted for the payment of the costs associated with the Series 2019A and 2019B loan (See Note 5).
- *Unrestricted*: The component of net position that does not meet the definitions above.

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for Developer Advances for costs that have yet to be conveyed to the District.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:

| | |
|---------------------------------|---------------------|
| Cash and investments | \$ 62,276 |
| Cash and investments—Restricted | <u>1,184,043</u> |
| Total cash and investments | <u>\$ 1,246,319</u> |

Cash and investments as of December 31, 2022 consist of the following:

| | |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 1,243,803 |
| Investments - COLOTRUST | <u>2,516</u> |
| Total cash and investments | <u>\$ 1,246,319</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, 2022, the District’s cash deposits had a bank balance and carrying balance of \$1,243,801.

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

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments (continued)

States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

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. The District invested in COLOTRUST PRIME, one of the three portfolios offered by COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST PRIME operates similarly to a money market fund with each share maintaining a value of \$1.00. There are no unfunded commitments, the redemption period frequency is daily, and there is no redemption notice period. The portfolio may invest in U.S. Treasury securities, federal instruments, and agency securities, repurchase agreements and tri-party repurchase agreements, collateralized bank deposits and government money market funds.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments (continued)

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, 2022, the District had \$2,516 invested in COLOTRUST.

4. Capital Assets

The following table presents capital assets activity of the District for the year ended December 31, 2022:

| | <u>Balance December 31, 2021, as restated</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance December 31, 2022</u> |
|---------------------------------------|---|------------------|---|--|
| <u>Governmental Type Activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 14,027,425 | \$ 2,467,220 | \$ - | \$ 16,494,645 |
| | | | | |
| | | Less: | | |
| | | | Capital Loans | (14,696,561) |
| | | | Capital Developer Advances | (5,657,987) |
| | | | Capital-related Accounts Payable | (130,504) |
| | | | Capital-related Retainage Payable | (226,532) |
| | | | Capital-related payable to General Fund | (38,789) |
| | | Plus: | | |
| | | | Unspent Bond Proceeds | 14,770 |
| | | | Net Investment in Capital Assets | <u>\$ (4,240,958)</u> |

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ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

5. Long-Term Obligations

The following is an analysis of changes in the District’s long-term debt for the year ended December 31, 2022:

| | Balance December 31, 2021, as restated | Additions | Reductions | Balance December 31, 2022 | Due Within One Year |
|------------------------------|--|--------------|------------|---------------------------------|---------------------------|
| Loans payable | | | | | |
| Series 2019A Loan | \$ 9,750,000 | \$ - | \$ 315,000 | \$ 9,435,000 | \$ 127,500 |
| Series 2019B Loan | 4,735,673 | 635,888 | 110,000 | 5,261,561 | 96,113 |
| Subtotal loans payable | 14,485,673 | 635,888 | 425,000 | 14,696,561 | 223,613 |
| Developer advances: | | | | | |
| Facilities Funding: | | | | | |
| Capital - principal | 5,657,987 | - | - | 5,657,987 | - |
| Capital - interest | 533,922 | 452,639 | - | 986,561 | - |
| Operation Funding | | | | | |
| General - principal | 71,312 | - | - | 71,312 | - |
| General - interest | 19,268 | 5,705 | - | 24,973 | - |
| Subtotal developer advances: | 6,282,489 | 458,344 | - | 6,740,833 | - |
| Total | \$ 20,768,162 | \$ 1,094,232 | \$ 425,000 | \$ 21,437,394 | \$ 223,613 |

A description of the District’s long-term obligations as of December 31, 2022 is as follows:

Loans Payable

Series 2019A & Series 2019B Loan Agreements

On September 26, 2019, the District entered into two loan agreements with Zions Bancorporation, N.A. doing business as Vectra Bank of Colorado.

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 2019A 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 a rate of 3.192%, 2.4% and 2.2% on the differing lines. The interest rate is based upon the Federal Home Loan Bank Board

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

5. Long-Term Obligations (continued)

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

| December 1, | Principal | Interest | Total |
|---------------|---------------------|---------------------|----------------------|
| 2023 \$ | 127,500 | \$ 275,572 | \$ 403,072 |
| 2024 | 137,500 | 272,829 | 410,329 |
| 2025 | 162,500 | 268,271 | 430,771 |
| 2026 | 172,500 | 263,649 | 436,149 |
| 2027 | 177,500 | 258,704 | 436,204 |
| 2028-2032 | 1,125,000 | 1,207,375 | 2,332,375 |
| 2033-2037 | 1,603,750 | 1,019,342 | 2,623,092 |
| 2038-2042 | 2,177,500 | 754,294 | 2,931,794 |
| 2043-2047 | 2,761,515 | 397,999 | 3,159,514 |
| 2048-2049 | 989,735 | 40,209 | 1,029,944 |
| Totals | \$ 9,435,000 | \$ 4,758,243 | \$ 14,193,243 |

Series 2019B Loan

The Series 2019B loan (“2019B Loan”), as amended and restated on November 11, 2022, 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. During November 2022, an additional \$635,888 was advanced on the loan. 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% and 4.784% on the differing lines. The 2019B loan commenced on December 1, 2019 and will mature on December 1, 2049.

During 2021, an amount of \$4,805,673 was advanced on the 2019B loan. In 2022 the District drew principal on the 2019B Loan in the amount of \$635,888 bringing the balance as of December 31, 2022 to \$5,261,561.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

5. Long-Term Obligations (continued)

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

Series 2019B Loan

| December 1, | Principal | Interest | Total |
|-------------|--------------|--------------|--------------|
| 2023 \$ | 96,113 | \$ 134,437 | \$ 230,551 |
| 2024 | 110,421 | 132,640 | 243,061 |
| 2025 | 110,421 | 129,424 | 239,845 |
| 2026 | 110,421 | 126,571 | 236,992 |
| 2027 | 110,421 | 123,718 | 234,139 |
| 2028-2032 | 657,757 | 571,322 | 1,229,079 |
| 2033-2037 | 923,476 | 476,550 | 1,400,026 |
| 2038-2042 | 1,198,733 | 345,078 | 1,543,812 |
| 2043-2047 | 1,501,199 | 172,795 | 1,673,994 |
| 2048-2049 | 442,599 | 15,258 | 457,857 |
| Totals | \$ 5,261,561 | \$ 2,227,795 | \$ 7,489,356 |

Debt Authorization

As of December 31, 2022, the District had voted authorized but unissued indebtedness of \$169,094,112.

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

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

5. Long-Term Obligations (continued)

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.

Balances of \$5,657,987 in principal and \$986,561 in accrued interest were outstanding as of December 31, 2022.

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 \$24,973 in accrued interest were outstanding as of December 31, 2022.

6. Agreements

ARTA Agreement

On August 22, 2006 several metropolitan districts entered into the Aurora Regional Transportation Authority (“ARTA”) Establishment Agreement with the City to effect the development of Regional Improvements (as defined therein) and the related overhead and administration costs associated therewith (“ARTA Agreement”).

On June 6, 2013, the District entered into the Fifth Amendment to the ARTA Agreement, along with other metropolitan districts within the City. The ARTA Agreement has since been further amended to add additional metropolitan district members. Pursuant to the ARTA Agreement, as amended, ARTA will plan, design, acquire, construct, install, relocate and/or redevelop, and finance regional improvements within the boundaries of the metropolitan districts which are parties to the ARTA Agreement using the revenue from the ARI Mill Levy of each of the districts (as defined therein). In accordance with the ARTA Agreement and the District’s Service Plan, the District imposes an ARI Mill levy.

ACC Metropolitan District

Notes to Financial Statements (continued)

December 31, 2022

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.

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.

ACC Metropolitan District
Notes to Financial Statements (continued)
December 31, 2022

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.

9. Restatement

The District has restated the prior year financial statements to correctly reflect Capital Project Fund expenditures related to a 2021 expenditure incorrectly reported as a developer reimbursement, as opposed to capital outlay, causing capital expenses to be understated and developer reimbursements to be overstated. The restatement also correctly reflects the Capital assets, not being depreciated and the Developer advances payable in the Government-Wide Statement of Net Position. The effect of the restatement is summarized as follows.

Restatement of Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)

| | December 31, 2021 | | December 31, 2021 | |
|---------------------------------|-----------------------------|--------------------|--------------------------|-----------|
| <u>Capital Projects Fund</u> | <u>As originally stated</u> | <u>Restatement</u> | <u>As restated</u> | |
| Developer advance reimbursement | 1,560,000 | (1,051,090) | | 508,910 |
| Capital outlay | 3,859,441 | 1,051,090 | | 4,910,531 |

Restatement of Government-Wide Statement of Net Position and Statement of Activities

| | December 31, 2021 | | December 31, 2021 | |
|---------------------------------------|-----------------------------|--------------------|--------------------------|-------------|
| | <u>As originally stated</u> | <u>Restatement</u> | <u>As restated</u> | |
| Capital Assets, not being depreciated | 12,976,335 | 1,051,090 | | 14,027,425 |
| Developer advances payable | 4,678,209 | 1,051,090 | | 5,729,299 |
| Developer advances interest payable | 517,220 | (35,970) | | 481,250 |
| Net Position, end of year | (4,074,253) | (35,970) | | (4,110,223) |

Supplementary Information

ACC Metropolitan District
Schedule of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|-------------------|---|
| Revenues: | | | | |
| Property taxes | \$ 820,684 | \$ 820,684 | \$ 820,683 | \$ (1) |
| Specific ownership taxes | 25,000 | 25,000 | 59,116 | 34,116 |
| ARI revenue | 25,165 | 25,165 | 25,164 | (1) |
| Interest income | 25 | 25 | 5,667 | 5,642 |
| Total Revenues | <u>870,874</u> | <u>870,874</u> | <u>910,630</u> | <u>39,756</u> |
| Expenditures: | | | | |
| Note principal | 40,000 | 425,000 | 425,000 | - |
| Note interest | 365,756 | 400,000 | 393,075 | 6,925 |
| Miscellaneous | 1,000 | 1,000 | - | 1,000 |
| Paying agent fees | 8,000 | 8,000 | 19,269 | (11,269) |
| ARTA-one mill levy | - | - | 377 | (377) |
| Treasurer fees | 12,310 | 12,310 | 12,307 | 3 |
| Contingency | 20,000 | 7,865 | - | 7,865 |
| Total Expenditures | <u>447,066</u> | <u>854,175</u> | <u>850,028</u> | <u>4,147</u> |
| Excess Revenue Over Expenditures | <u>423,808</u> | <u>16,699</u> | <u>60,602</u> | <u>43,903</u> |
| Other financing sources | | | | |
| Loan proceeds | - | - | 635,888 | 635,888 |
| Transfers (to) other funds | - | (395,825) | (395,825) | - |
| Total other financing sources | <u>-</u> | <u>(395,825)</u> | <u>240,063</u> | <u>635,888</u> |
| Net change in fund balances | <u>423,808</u> | <u>(379,126)</u> | <u>300,665</u> | <u>679,791</u> |
| Fund Balance—Beginning of year | <u>3,940,011</u> | <u>763,907</u> | <u>492,592</u> | <u>(271,315)</u> |
| Fund Balance—End of Year | <u>\$ 4,363,819</u> | <u>\$ 384,781</u> | <u>\$ 793,257</u> | <u>\$ 408,476</u> |

ACC Metropolitan District
Schedule of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------------|----------------------------|-------------------------|--------------------|---|
| Revenues: | | | | |
| Utility Refund | \$ - | \$ - | \$ 28,528 | \$ 28,528 |
| Interest income | - | - | 33 | 33 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>28,561</u> | <u>28,561</u> |
| Expenditures: | | | | |
| Management / Accounting | 6,000 | 6,000 | 8,347 | (2,347) |
| District management | 9,000 | 9,000 | 4,280 | 4,720 |
| Legal | 15,000 | 15,000 | 20,370 | (5,370) |
| Engineering | 600,000 | 225,000 | 224,380 | 620 |
| Professional services | 15,000 | 15,000 | 14,731 | 269 |
| Capital outlay | 1,487,996 | 2,250,000 | 2,242,840 | 7,160 |
| Contingency | 100,000 | - | - | - |
| Total Expenditures | <u>2,232,996</u> | <u>2,520,000</u> | <u>2,514,948</u> | <u>5,052</u> |
| Excess Revenue Over (Under) | | | | |
| Expenditures | <u>(2,232,996)</u> | <u>(2,520,000)</u> | <u>(2,486,387)</u> | <u>33,613</u> |
| Other financing sources | | | | |
| 2019A Loan proceeds | 575,060 | 575,000 | - | (575,000) |
| Transfers from other funds | - | 395,825 | 395,825 | - |
| Total other financing sources | <u>575,060</u> | <u>970,825</u> | <u>395,825</u> | <u>(575,000)</u> |
| Net change in fund balances | <u>(1,657,936)</u> | <u>(1,549,175)</u> | <u>(2,090,562)</u> | <u>(541,387)</u> |
| Fund Balance—Beginning of year | <u>1,531,610</u> | <u>1,657,936</u> | <u>2,090,562</u> | <u>432,626</u> |
| Fund Balance—End of Year | <u>\$ (126,326)</u> | <u>\$ 108,761</u> | <u>\$ -</u> | <u>\$ (108,761)</u> |