

Aerotropolis Regional Transportation Authority

**Financial Statements
December 31, 2020**

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Financial Statements
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Aerotropolis Regional Transportation Authority

We have audited the accompanying financial statements of the governmental activities and each fund of the Aerotropolis Regional Transportation Authority (the "Authority"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of the Aerotropolis Regional Transportation Authority as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary schedule for the General Fund in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
June 25, 2021**

MANAGEMENT'S DISCUSSION & ANALYSIS

Aerotropolis Regional Transportation Authority

Management's Discussion and Analysis

December 31, 2020

As management of Aerotropolis Regional Transportation Authority ("ARTA or "Authority"), we offer readers of the Authority's annual audited financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. Normally, the government-wide financial statements present a current year to prior year comparison to help users evaluate the results of the Authority over the past two years.

The Statement of Net Position presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority utilized three governmental funds for 2020; the General Fund, Debt Service Fund, and Capital Projects Fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The combined government-wide and fund financial statements are on pages C1 and C2 of this report. A reconciliation to facilitate a comparison between governmental funds and governmental activities is shown in Note II of the Notes to the Financial Statements on page D6 of this report.

The Authority adopts an annual appropriated budget for each of its governmental funds. Budgetary comparisons for the General Fund is provided on page E1, for the Debt Service Fund on page F1 and for the Capital Fund on page F2.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page D1 of this report.

Government-wide Financial Analysis: The following table shows a condensed statement of net position as of December 31, 2020 compared with net position as of December 31, 2019.

**Aerotropolis Regional Transportation Authority
Net Position**

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 50,502	\$ 187,508
Investments	4,141,697	14,279,475
Property Tax Receivable	9,322	11,246
Accounts Receivable	1,030,366	-
Prepaid Expenses	2,060	2,026
Capital assets, net of accumulated depreciation	17,411,736	5,175,300
Total Assets	<u>22,645,683</u>	<u>19,655,555</u>
Liabilities		
Current	4,516,385	574,917
Long-term	19,570,149	19,579,186
Total Liabilities	<u>24,086,534</u>	<u>20,154,103</u>
Deferred Inflows of Resources		
Deferred property tax revenue	9,322	11,246
Total Deferred Inflows of Resources	<u>9,322</u>	<u>11,246</u>
Net Position:		
Restricted	3,533,288	13,507,569
Unrestricted	(4,983,461)	(14,017,363)
Total Net Position	<u>\$ (1,450,173)</u>	<u>\$ (509,794)</u>

At the end of the current fiscal year, the Authority's negative net position increased primarily as a result of expenses in excess of revenue.

The change in net position for the years ended December 31, 2020 and December 31, 2019 is summarized in the following table:

**Aerotropolis Regional Transportation Authority
Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Property Tax	\$ 40,596	\$ 13,049
Use Tax and Transportation Fees	176,576	34,798
Investment income	61,853	131,485
Member contribution income	-	-
Total Revenues	<u>279,025</u>	<u>179,332</u>
Expenses:		
General government	194,285	290,982
Debt service and cost of issuance	1,025,119	1,146,567
Total Expenses	<u>1,219,404</u>	<u>1,437,549</u>
Change in Net Position	(940,379)	(1,258,217)
Net Position- Beginning	(509,794)	748,423
Net Position- Ending	<u>\$ (1,450,173)</u>	<u>\$ (509,794)</u>

The Authority has a negative net position because expenditures made exceeded revenue generated in both 2019 and 2020.

Financial Analysis of the Authority's Funds

As mentioned earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, the unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund expenditures were \$191,293 compared with \$290,924 in 2019. Expenditures are comprised primarily of professional fees for management, accounting, and legal services. These costs were funded primarily by the member contributions made in 2018.

Debt Service Fund expenditures were \$1,038,576 and were comprised primarily of debt service payments on the Series 2019 Bonds. Expenditures were funded by current year revenues as well as proceeds from the Series 2019 Special Revenue Bonds issued in July of 2019.

Capital Fund expenditures were \$12,236,550 compared to \$4,640,226 in 2019. Expenditures are for the construction of ARTA Phase 1 Improvements. These costs were funded with bond proceeds from the Series 2019 Special Revenue Bonds issued in July 2019.

As of the end of 2020, the Authority's governmental funds reported an ending fund balance of \$3,815,743 compared to \$13,974,467 in 2019. The fund balance decreased primarily as a result of the increased construction expenditures. The current ending fund balance is comprised primarily of \$1,075,330 of funds remaining to fund construction of Phase 1 Improvements and \$2,452,200 restricted for future debt service expenditures.

Budget variances: The General Fund ending fund balance finished the year \$27,189 ahead of the amended budget. Expenditures were less than budget primarily because there was no contingency expended and expenditures for consultants were slightly less than budgeted. A budget to actual schedule for the General Fund can be found on page E1 of this report.

The Debt Service Fund ending fund balance finished the year \$4,412,501 less than budgeted. The negative variance is primarily because a second tranche of bonds was not issued as originally planned. In addition, revenue was less than budgeted because building permits issued were less than anticipated resulting in less than budgeted use tax and impact fee revenue. A budget to actual schedule for the Debt Service Fund can be found as part of the supplementary information on page F1 of this report.

The Capital Projects Fund ending fund balance finished the year \$838,804 greater than budgeted. Capital expenditures were significantly less than was budgeted as were bond proceeds because the second tranche of bonds were not issued as planned. A budget to actual schedule for the Capital Fund can be found as part of the supplementary information on page F2 of this report.

Capital assets: The Authority's total net capital assets were \$17,411,736 at the end of 2020 compared to \$5,175,300 at the end of 2019. This amount represents total accumulated capital expenditures for Phase 1 Improvements. There was no depreciation expense as the assets are not yet placed in service and are therefore considered construction in progress. Additional information as well as a detailed classification of the Authority's net capital assets can be found in the Notes to the Financial Statements on page D11 of this report.

Long-term debt: During 2019 the Authority issued Special Revenue Bonds Series 2019 in the amount of \$19,290,000. Bond proceeds were used to repay advances from AACMD, pay issuance costs, fund interest reserves, and fund Phase 1 Improvement Costs. Additional information of the Authority's long-term debt can be found in the Notes to the Financial Statements beginning on page D12 of this report.

Request for Information: This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Aerotropolis Regional Transportation Authority, c/o Marchetti & Weaver, LLC, 245 Century Circle, Suite 103, Louisville, CO 80027, (720) 210-9137.

FINANCIAL STATEMENTS

**Aerotropolis Regional Transportation Authority
Balance Sheet/
Statement of Net Position
December 31, 2020**

	Balance Sheet					
	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets:						
Cash and cash equivalents	50,440	62	-	50,502	-	50,502
Investments	263,614	1,176,648	1,444,435	2,884,697	-	2,884,697
Restricted investments	-	1,257,000	-	1,257,000	-	1,257,000
Property tax receivable	-	9,322	-	9,322	-	9,322
Accounts receivable	-	18,490	1,011,876	1,030,366	-	1,030,366
Prepaid expenses	2,060	-	-	2,060	-	2,060
Capital assets, net of accumulated depreciation	-	-	-	-	17,411,736	17,411,736
Total Assets	316,114	2,461,522	2,456,311	5,233,947	17,411,736	22,645,683
Liabilities:						
Accrued interest payable	-	-	-	-	80,375	80,375
Accounts payable	27,901	-	-	27,901	-	27,901
Advanced funding payable - AACMD	-	-	1,380,981	1,380,981	3,027,128	4,408,109
Bonds payable:						
Due in more than one year	-	-	-	-	19,570,149	19,570,149
Total Liabilities	27,901	-	1,380,981	1,408,882	22,677,652	24,086,534
Deferred Inflows of Resources:						
Deferred tax revenues	-	9,322	-	9,322	-	9,322
Total Deferred Inflows of Resources	-	9,322	-	9,322	-	9,322
Fund Balance/Net Position:						
Fund Balance:						
Nonspendable	2,060	-	-	2,060	(2,060)	-
Restricted for emergency	5,758	-	-	5,758	(5,758)	-
Restricted for debt service	-	2,452,200	-	2,452,200	(2,452,200)	-
Restricted for capital projects	-	-	1,075,330	1,075,330	(1,075,330)	-
Assigned for 2021 budgeted deficit	217,290	-	-	217,290	(217,290)	-
Unassigned	63,105	-	-	63,105	(63,105)	-
Total Fund Balance	288,213	2,452,200	1,075,330	3,815,743	(3,815,743)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	316,114	2,461,522	2,456,311	5,233,947	(5,233,947)	-
Net Position:						
Restricted for emergency					5,758	5,758
Restricted for debt service					2,452,200	2,452,200
Restricted for capital projects					1,075,330	1,075,330
Unrestricted					(4,983,461)	(4,983,461)
Total Net Position					(1,450,173)	(1,450,173)

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

Aerotropolis Regional Transportation Authority
Statement of Revenues, Expenditures and Changes in Fund Balance/
Statement of Activities
For the Year Ended December 31, 2020

	Statement of Revenues, Expenditures and Changes in Fund Balance					Statement of Activities
	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	
Revenues:						
Property tax	-	11,246	-	11,246	-	11,246
Specific ownership tax	-	825	-	825	-	825
Adams County property taxes	-	28,525	-	28,525	-	28,525
City of Aurora use tax	-	157,604	-	157,604	-	157,604
City of Aurora transportation impact fees	-	18,972	-	18,972	-	18,972
Net investment income	2,338	14,661	44,854	61,853	-	61,853
Total Revenues	<u>2,338</u>	<u>231,833</u>	<u>44,854</u>	<u>279,025</u>	<u>-</u>	<u>279,025</u>
Expenditures/Expenses:						
Accounting and audit	50,772	-	-	50,772	-	50,772
Legal	32,157	-	-	32,157	-	32,157
Authority management	76,035	-	-	76,035	-	76,035
Financial advisor	28,475	-	-	28,475	-	28,475
Subscriptions and dues	563	-	-	563	-	563
Insurance	2,026	-	-	2,026	-	2,026
Meeting expense	54	-	-	54	-	54
Website	400	-	-	400	-	400
Miscellaneous	1,441	2,248	114	3,803	-	3,803
Debt service						
Interest and fiscal changes	-	964,500	-	964,500	(9,037)	955,463
Capital outlay	-	-	12,236,436	12,236,436	(12,236,436)	-
Total Expenditures/Expenses	<u>191,923</u>	<u>966,748</u>	<u>12,236,550</u>	<u>13,395,221</u>	<u>(12,245,473)</u>	<u>1,149,748</u>
Other Financing Sources:						
Proceeds from advanced funding - AACMD	-	-	3,027,128	3,027,128	(3,027,128)	-
Bond issuance costs	-	(69,656)	-	(69,656)	-	(69,656)
Transfers in (out)	2,172	(2,172)	-	-	-	-
Total Other Financing Sources	<u>2,172</u>	<u>(71,828)</u>	<u>3,027,128</u>	<u>2,957,472</u>	<u>(3,027,128)</u>	<u>(69,656)</u>
Excess (Deficiency) of Revenues Over Expenditures	(187,413)	(806,743)	(9,164,568)	(10,158,724)	10,158,724	
Change in Net Position					(940,379)	(940,379)
Fund Balance/Net Position:						
Beginning	475,626	3,258,943	10,239,898	13,974,467		(509,794)
Ending	<u>288,213</u>	<u>2,452,200</u>	<u>1,075,330</u>	<u>3,815,743</u>		<u>(1,450,173)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies

The Aerotropolis Regional Transportation Authority (the "Authority" or "ARTA") was formed by an intergovernmental agreement (the "Establishing IGA") between the County of Adams (the "County"), the City of Aurora (the "City"), and Aerotropolis Area Coordinating Metropolitan District (the "District" or "AACMD") on February 27, 2018. The ARTA encompasses roughly 3,000 acres south of Denver International Airport. The purpose of the Authority is to construct, or cause to have constructed, a regional transportation system within or outside the boundaries of the Authority for the primary benefit of those residing or owning property within the boundaries through the issuance of bonds. The Authority will oversee the budget and phasing plans for critical regional transportation infrastructure and finance regional transportation improvements needed to improve access across Aurora and Adams County, including additional connections from Interstate 70 to Denver International Airport, new interchanges on E-470, as well as extensions of several critical arteries throughout the boundaries of the Authority.

The City has covenanted to impose, collect and remit to the Authority all of the City use tax on construction materials, less the 0.25% use tax dedicated to increase staffing of the City's police department and operation and maintenance of the City's detention facility. Additionally, the City has pledged all of the proceeds from the City Transportation Impact Fee to the Authority at the rate in effect at the time of payment.

The County has pledged half of the County General Fund Property Tax and all of the County Road and Bridge Fund Tax to the Authority.

The District has covenanted to impose, collect and remit all of a 5.00 mill levy on all taxable real property through the District's imposition of the Aurora Regional Mill Levy, provided that if such Regional Mill Levy is not imposed, the Authority will levy up to 5.00 mills in its place.

The funding sources described above only apply to those derived from within the Authority's boundaries and are subject to annual appropriation. The Authority shall not use more than one percent of its gross revenues from these funding sources to cover administrative and maintenance expenses. The funding sources are further clarified by Intergovernmental Agreements with each member jurisdiction dated in fiscal year 2019.

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

The intergovernmental agreement establishing the Authority will terminate ninety days following the completion of the regional transportation system; provided however, that the agreement may not be terminated so long as the Authority has any bonds or other obligations outstanding. Upon termination, any real property interest or fixtures to real property will become the property of the member in whose jurisdiction such property is located. If property is located within multiple jurisdictions, the property will become the property of the City. Any funds remaining after the payment of bonds will be returned to the members in proportion to their respective contributions.

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity

The Board of Directors consists of the five directors from the three voting member jurisdictions: two directors from the Governing Body of the County, two directors from the Governing Body of the City and one director from the District. The Board is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with state statutes. The reporting entity consists of (a) the primary government (i.e., the Authority), and (b) organizations for which the Authority is financially accountable or the organization's primary purpose is to benefit the Authority. The Authority is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Authority. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the Authority. Organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The Authority is not financially accountable for any entity based on the above criteria nor is the Authority a component unit of any other entity.

B. Government-wide and Fund Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, the Authority performs only governmental activities.

1. Government-wide Financial Statements

In the Statement of Net Position, the Authority's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position are reported in two parts - restricted; and unrestricted net position.

The focus of the Statement of Net Position and the Statement of Activities is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance. The Authority reports the following governmental funds:

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

2. Fund Financial Statements (continued)

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources not required to be accounted for in another fund.

The *Debt Service Fund* accounts for the issuance of general obligation bonds and taxes and other revenues restricted for debt payment on such bonds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days of December 31) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at fair value or net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The Authority's investment policy is detailed in Note IV.A.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established, as the Authority considers all accounts to be collectible.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

4. Capital Assets

Capital assets, which includes design and initial construction of the regional transportation system as described in the Establishing IGA, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial cost of \$5,000 or more and an estimated useful life of at least three years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital expenditures for projects are capitalized as projects are constructed.

As of the year ended December 31, 2020, all capital assets were considered construction in progress and will be depreciated upon completion.

5. Deferred Inflows of Resources

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 and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

6. Fund Balance

The Authority classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Fund Balance (continued)

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Authority uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Authority first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Authority does not have a formal minimum fund balance policy. However, the Authority's budget includes a calculation of a targeted reserve positions and management reports the target amounts annually to Board of Directors.

7. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	\$ 17,411,736
Total adjustments	<u>\$ 17,411,736</u>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable - due in more than 1 year	\$ (19,290,000)
Unamortized bond premium	(280,149)
Accrued interest payable	(80,375)
Advanced funding payable	<u>(3,027,128)</u>
Total adjustments	<u>\$ (22,677,652)</u>

B. Explanation of differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 12,236,436
Total adjustments	<u>\$ 12,236,436</u>

The issuance of long-term debt (e.g., notes, bonds, advances, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt service - premium amortization	\$ 9,037
Proceeds from advanced funding - AACMD	<u>(3,027,128)</u>
Total adjustments	<u>\$ (3,018,091)</u>

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the Authority's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds and the fiduciary fund are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

- (1) After a required publication of "Notice of Proposed Budget" and a public hearing, the Authority adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (2) After adoption of the budget resolution, the Authority may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.
- (3) All appropriations lapse at a year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Authority because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

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Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment (continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years. TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The Authority has reserved a portion of its December 31, 2020, year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$5,758 which is the approximate required reserve at December 31, 2020.

The initial base for local government spending and revenue limits is December 31, 1992, fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

On November 7, 2017, a majority of the Authority's electors who voted in the election approved the following TABOR related ballot questions:

Ballot Question A - "Shall Aerotropolis Regional Transportation Authority taxes be increased \$500,000 in fiscal year 2019 and by whatever amounts are raised in each subsequent fiscal year, by the imposition of ad valorem property taxes levied in any year at a rate not to exceed five (5) mills and without limitation as to amount or any other condition, for the purposes of such Authority, and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the Authority in fiscal year 2019 and each fiscal year thereafter as a voter-approved revenue change and an exception to any spending, revenue-raising or other limitation under the constitution and laws of Colorado now or hereafter in effect, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the Authority?"

Ballot Question B - "Shall Aerotropolis Regional Transportation Authority taxes be increased \$500,000 in fiscal year 2018 and by whatever amounts are raised in each subsequent fiscal year, by the imposition of a sales tax at the rate of 1.00% in the manner authorized by the Regional Transportation Authority law, part 6 of Article 4, Title 43, Colorado Revised Statutes, for the purposes of such Authority, and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the Authority in fiscal year 2018 and each fiscal year thereafter as a voter-approved revenue change and an exception to any spending, revenue-raising or other limitation under the constitution and laws of Colorado now or hereafter in effect, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the Authority?"

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment - Revenue and Spending Limitation Amendment (continued)

Ballot Question C – “Shall the Aerotropolis Regional Transportation Authority be authorized to collect, retain, and spend the full amount of all taxes, fees, charges, grants, intergovernmental payments or other revenues, from whatever source derived, during fiscal year 2018 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and an exception to any spending, revenue-raising or other limitation under the constitution or laws of the State of Colorado now or hereafter in effect, and without limiting in any year the amount of other revenue that may be collected, retained and spent by the Authority?”

Ballot Question D – “Shall Aerotropolis Regional Transportation Authority debt be increased \$600,000,000 with a repayment cost of \$1,800,000,000 or such lesser amount as may be necessary, by the issuance of revenue bonds or other obligations of the Authority, which bonds or other obligations may be refunded in whole or in part at rates equal to, lower or higher than the interest rate on the refunded obligations, all for the purpose of defraying the costs of designing, acquiring, constructing, relocating, installing, completing and otherwise providing regional transportation improvements and appurtenant facilities, equipment, land and easements and extensions and improvements to such facilities, such debt to bear interest at a maximum net effective interest rate not to exceed 9.00% per annum, such interest to be payable at such time or times, and which may be compounded annually or semiannually, and such debt to mature, be subject to redemption with or without premium and be issued and sold at, above or below par, such debt to be issued at one time or from time to time and to be secured and paid from such funds and revenues of the Authority as Authorized by the Intergovernmental Agreement pursuant to which the Authority is organized, and shall the proceeds of any such debt, and revenue to pay such debt, and investment earnings thereon be collected, kept and spent by the Authority as a voter-approved revenue change and an exception to any spending, revenue-raising or other limitation under the constitution or laws of the State of Colorado now or hereafter in effect, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the Authority?”

Ballot Question E – “Shall the Aerotropolis Regional Transportation Authority be formed by Intergovernmental Agreement among the City of Aurora, Adams County and the Aerotropolis Area Coordinating Metropolitan District, for the purpose of providing regional transportation improvements within the area generally bounded by East 56th Avenue on the north, Powhatan Road on the east, Interstate 70 on the south, and the E-470 Highway on the west, as such area may be increased or reduced?”

The Authority's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

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. The 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 equal to the aggregate uninsured deposits.

The State Regulatory Commissions 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.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the Authority, 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 mutual funds
- Guaranteed investment contract
- Local government investment pools

A summary of cash deposits and investments is as follows:

Type	Rating	Carrying Amount	Maturities	
			Less Than One Year	Less Than Five Years
<i>Deposits:</i>				
Checking		\$ 50,440		
<i>Investments:</i>				
Colotrust	AAAm	162,800	162,800	-
BOK Financial - Colotrust Plus	AAAm	3,978,897	3,978,897	-
		\$ 4,192,137		

The Authority had invested \$4,141,697 in the Colotrust, which is a 2a7 like pool. The fair value of the pool is determined by the pool's net asset value. The Authority has no regulatory oversight for the pool. At December 31, 2020, the Authority's investments in Colotrust were 100% of the Authority's investment portfolio.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Fair Value of Investments The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2020 the Authority had the following recurring measurements:

<u>Investments Measured at Net Asset Value</u>	
Colostrust	\$ 162,800
BOK Financial - Colostrust Plus	3,978,897
Total investments	\$ 4,141,697

B. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases and Reclassifications	Ending Balance
Capital Assets				
Capital assets, not being depreciated:				
Construction in progress:				
48th Avenue	\$ -	5,627	-	5,627
38th Avenue	640,518	630,295	(264,252)	1,006,561
The Aurora Highlands Parkway	480,984	9,258,888	(97,961)	9,641,911
26th Avenue	66,870	208,801	-	275,671
Powhatan Road	-	236,992	-	236,992
E-470 Full/Interim Interchange	2,997,740	1,554,775	-	4,552,515
I-70 Interchange	691,732	845,022	-	1,536,754
Powhatan Interim Connection	281,296	-	(281,296)	-
Cost Verification Services	-	109,324	-	109,324
Administrative Costs	16,160	30,221	-	46,381
Total construction in progress	5,175,300	12,879,945	(643,509)	17,411,736
Total capital assets, not being depreciated	5,175,300	12,879,945	(643,509)	17,411,736
Total Capital Assets	\$ 5,175,300	12,879,945	(643,509)	17,411,736

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations

1. Advanced Funding – AACMD

On August 23, 2018, the Authority entered into an intergovernmental agreement with AACMD to fund the initial design of ARTA Phase I Improvements. AACMD has established a project budget in an amount not to exceed \$750,000 (the “initial funding advances”) that was anticipated to be incurred in a ninety day period which began on the effective day of the agreement. Certain adjacent improvements were designed together with the Phase I Improvements as such adjacent improvements are an integrated part of the roads included in the Phase I Improvements. AACMD coordinated, administered and oversaw the preparation of budgets, timetables and other documents pertaining to the initial design and the funding of the initial design. AACMD engaged engineers, surveyors and other consultants as required for the initial design (the “service providers”). The initial design costs and adjacent improvements initial design costs were subject to verification by a third-party engineer retained by AACMD (see Note V.B.2). In no event were the verified costs to be paid by ARTA include the Adjacent Improvements Initial Design Costs. Interest accrues from the date of deposit of funds in the AACMD bank account for payment to each of the service providers and will compound annually at a rate of nine percent (9%) per annum until paid. No payment will be requested of ARTA until ARTA issues bonds in an amount sufficient to reimburse AACMD for all the verified costs plus interest.

On January 15, 2019, the Authority entered into an amended and restated intergovernmental agreement with AACMD to obtain additional funding for the initial design of ARTA Phase I Improvements. AACMD will continue to fund the Phase I Improvements anticipated to be incurred through June 30, 2019, which amount is anticipated to be \$5,885,000 (the “interim Phase I funding”). Total advances from AACMD, including the initial funding advances, shall not exceed \$6,635,000. The interim Phase I funding, excluding the initial funding advances, will be paid by AACMD to service providers for services rendered on a time schedule reasonably determined by AACMD pursuant to its contracts with service providers. Interest to be paid by ARTA will commence and accrue separately on each payment made to service providers, commencing on the date the AACMD Board of Directors approves the payment, and will compound interest annually at the rate of nine percent (9%) per annum until paid.

On August 12, 2020, the Authority entered into an intergovernmental agreement with AACMD to obtain interest-free funding for the acceleration of the design and construction of The Aurora Highlands Parkway Improvements (“TAH Parkway Improvements”). AACMD will continue to advance funds toward TAH Parkway Improvements anticipated to be incurred. Total advances from AACMD shall not exceed \$6,614,784, and are expected to be paid back from proceeds from the Authority’s next bond issue.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations

1. Advanced Funding – AACMD

The cumulative balance of the initial funding advances and the interim Phase I funding as of June 30, 2019 of \$1,696,478, plus interest of \$50,417 was reimbursed to AACMD by ARTA on July 1, 2019. As of December 31, 2020, the Authority owed \$4,408,109 to AACMD, detailed as follows:

Advance payable	\$ 3,027,128	[1]
Accrued draw:		
Due from AACMD	\$ 1,011,876	[1]
Authority project fund	305,546	
Total accrued draw	1,317,422	
Certified in excess of drawn by AACMD	63,559	
Total due to AACMD	\$ 4,408,109	

[1] These amounts are anticipated to be repaid with proceeds from bonds to be issued in 2021.

2. Special Revenue Bonds, Series 2019

On June 26, 2019, the Authority issued \$19,290,000 of General Obligation Limited Tax and Special Revenue Bonds, Series 2019, to fund the construction of the regional transportation system. The bonds accrue interest at 5% annually and mature on December 1, 2051.

The Series 2019 Bonds are payable solely from and to the extent of the Pledged Revenue (as defined in the Indenture), which is generally, the gross revenue minus the 1% allocated for the operations and maintenance of ARTA and any other legally available moneys which the Authority determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue, including without limitation, the capitalized interest deposited into the Bond Fund with the initial proceeds of the Bonds.

At the closing of the Series 2019 Bonds, capitalized interest equal to \$2,334,271 was deposited into a Bond Fund exclusively to pay interest on the Bonds through December 1, 2021. At December 31, 2020, the Capitalized Interest Fund had a balance of \$989,908.

A Reserve Fund equal to the lesser of (1) 10% of bond proceeds, (2) the maximum annual debt service on the bonds outstanding, or (3) 125% of the average annual debt service on the bonds outstanding is required to be maintained by the Trustee in accordance with the provisions of the Indenture for so long as any bond is outstanding. This required reserve is recalculated by the Trustee on each interest payment date and upon issuance of any additional reserve fund bonds. At December 31, 2020, the Reserve Fund had a balance of \$1,257,000 of which \$1,257,000 was restricted.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations (continued)

2. Special Revenue Bonds, Series 2019 (continued)

The Indenture requires excess Pledged Revenues, if any, to be deposited into the Surplus Fund until amounts on deposit equal 50% of maximum annual debt service on all outstanding parity debt. Excess pledged revenues, if any, after the payment of debt service, replenishing the Reserve Fund, and funding the Surplus Fund are required to be deposited into the Capital Fund.

The Bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 1, 2024, to November 30, 2025	2.00%
December 1, 2025, to November 30, 2026	1.00%
December 1, 2026, and thereafter	0.00

The Series 2019 Bonds maturing December 1, 2051 are subject to mandatory sinking fund redemption requirements in accordance with the Indenture.

Annual debt service requirements to maturity for the special revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	964,500	964,500
2022	290,000	964,500	1,254,500
2023	305,000	950,000	1,255,000
2024	320,000	934,750	1,254,750
2025	335,000	918,750	1,253,750
2026 - 2030	1,955,000	4,324,000	6,279,000
2031 - 2035	2,485,000	3,784,500	6,269,500
2036 - 2040	3,180,000	3,097,500	6,277,500
2041 - 2045	4,055,000	2,219,000	6,274,000
2046 - 2050	5,170,000	1,099,250	6,269,250
2051	1,195,000	59,750	1,254,750
Total	<u>\$ 19,290,000</u>	<u>19,316,500</u>	<u>38,606,500</u>

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations (continued)

The Authority had the following changes in debt for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Advanced Funding - AACMD	\$ -	3,027,128	-	3,027,128	-
S.R. Bonds, Series 2019	19,290,000	-	-	19,290,000	-
Premium on 2019 bonds	289,186	-	(9,037)	280,149	-
Total	<u>\$ 19,579,186</u>	<u>3,027,128</u>	<u>(9,037)</u>	<u>22,597,277</u>	<u>-</u>

V. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

The Authority is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees. The Authority is insured for such risks as a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The Authority pays annual premiums to the Pool for liability, property and public official's 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.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2019 (the latest audited information available) is as follows:

Assets	<u>\$ 55,602,023</u>
Liabilities	\$ 33,163,342
Capital and surplus	22,438,681
Total	<u>\$ 55,602,023</u>
Revenue	\$ 22,436,944
Underwriting expense	25,355,739
Underwriting gain (loss)	(2,918,795)
Other income	1,173,628
Net Income (Loss)	<u>\$ (1,745,167)</u>

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

V. Other Information (continued)

B. Intergovernmental Agreements

1. ARTA Member Contribution Funding Agreement

On September 5, 2018, the Authority entered into an intergovernmental agreement with AACMD, the County and the City (collectively, the “Parties”) whereby the Parties each agreed to fund \$350,000 as a one-time contribution. The Parties acknowledge and agree the contributions are not intended to be reimbursed by ARTA. The Parties further agree that upon receipt by ARTA, the contribution funds may be utilized by the ARTA in the full discretion of the Board of Directors of the ARTA for any and all purposes of the ARTA consistent with the Establishing IGA.

2. Master Service Agreement for Engineering Services

On December 18, 2018, the Authority and AACMD entered into a service agreement with Schedio Group, LLC (the “Engineer”) for the purpose of establishing terms by which the Engineer will provide the services to the District and the Authority related to the Phase I Improvements and the Adjacent Improvements (see Note IV.C.I) and how the District and the Authority will compensate the Engineer. The services include the review and verification of costs incurred associated with the design of the regional transportation system. The Engineer shall perform services only upon receipt of a written Task Order, including details of the party responsible for the payment. Fees and special circumstances regarding payment are further detailed in the agreement.

3. Project Management of the Design and Construction of the ARTA System

On May 22, 2019, the District and the Authority entered into an intergovernmental agreement to continue to utilize the District’s project management services regarding the design, construction and operation and maintenance of the regional transportation system improvements as the amended and restated agreement (see note IV.C.1) terminated upon ARTA’s reimbursement for the advanced funding. AACMD shall continue to manage and advance the design and construction related to the completion of the Phase I improvements. AACMD shall provide regular progress reports to ARTA and shall include information on the services that AACMD currently has under contract for design and/or construction of regional transportation system improvements. AACMD shall provide four months prior written notice to ARTA of the upcoming initiation by AACMD of each next phase of the regional transportation system improvements which requires additional funding from ARTA. AACMD shall, no more frequently than once a month, submit a draw request to ARTA for payment of verified costs incurred by AACMD for the work related to the ARTA Phase I Improvements. The draw request shall include a report prepared and certified by the Engineer indicating that the funds requested for the ARTA Phase I improvements are for verified costs.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2020
(Continued)

V. Other Information (continued)

B. Intergovernmental Agreements (continued)

4. Interim Maintenance of ARTA Regional Transportation System Improvements

On May 22, 2019 the District and the Authority entered into an intergovernmental agreement to also utilize the District for the interim maintenance of the Regional Transportation System Improvements and Connecting Improvements (as defined in the agreement) for the period of time between when the Regional Transportation System Improvements and related Connecting Improvements are constructed until they are conveyed to the appropriate governing jurisdiction(s) for long term ownership, operation, maintenance, repair and replacement. ARTA shall reimburse AACMD for all Verified Maintenance Costs expended by AACMD to provide the Maintenance Services on the Regional Transportation System Improvements and Connecting Improvements. AACMD agrees it will, on no less frequently than a quarterly basis, report all Maintenance Expenses incurred by AACMD to the Engineer to determine the Verified Maintenance Costs.

5. E-470 and 38th Avenue Interchange Funding and Construction

On August 8, 2019, the Authority entered into an intergovernmental agreement with the E-470 Public Highway Authority ("E-470") regarding the construction of an interchange between E-470 and ARTA's regional transportation system. E-470 and the Authority acknowledge that significant efficiencies and cost savings may be realized to the mutual benefit of both parties by planning and executing the construction of the interchange in connection with the E-470's Widening Project (as defined in the agreement). Accordingly, E-470 is agreeable to accelerating construction of the interchange provided that ARTA pays the costs associated with the initial interchange design and the costs of the design and construction of the Bridge pursuant to the terms and conditions set forth in the agreement. ARTA anticipates acquiring additional bonds on or before December 31, 2021 to fund the interchange project. ARTA will transfer funds equal to the Bridge Completion Cost Estimate (as defined in the agreement) to E-470 to fund the project. The agreement shall terminate upon the final completion of the Interchange and payment by E-470 to ARTA of any cost savings pursuant to the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

Aerotropolis Regional Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2020
With Comparative Actual Amounts For the Year Ended 2019

	<u>2020</u>			Final Budget Variance Positive (Negative)	<u>2019</u>
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Net investment income	3,500	-	2,338	2,338	11,688
Total Revenues	<u>3,500</u>	<u>-</u>	<u>2,338</u>	<u>2,338</u>	<u>11,688</u>
Expenditures:					
Accounting and audit	48,100	49,500	50,772	(1,272)	42,588
Legal	25,000	35,000	32,157	2,843	91,563
Authority management	75,000	80,526	76,035	4,491	100,993
Financial advisor	17,100	35,000	28,475	6,525	44,638
Subscriptions and dues	-	-	563	(563)	3,767
Insurance	3,100	2,589	2,026	563	2,104
Meeting expenses	2,400	2,400	54	2,346	-
Website	100	400	400	-	4,815
Miscellaneous	1,100	2,161	1,441	720	456
Contingency	8,600	10,000	-	10,000	-
Total Expenditures	<u>180,500</u>	<u>217,576</u>	<u>191,923</u>	<u>25,653</u>	<u>290,924</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(177,000)</u>	<u>(217,576)</u>	<u>(189,585)</u>	<u>27,991</u>	<u>(279,236)</u>
Other Financing Sources (Uses):					
Transfers in (out)	6,100	6,100	2,172	(3,928)	740
Total Other Financing Sources (Uses)	<u>6,100</u>	<u>6,100</u>	<u>2,172</u>	<u>(3,928)</u>	<u>740</u>
Net Change in Fund Balance	(170,900)	(211,476)	(187,413)	24,063	(278,496)
Fund Balance - Beginning	<u>472,500</u>	<u>472,500</u>	<u>475,626</u>	<u>3,126</u>	<u>754,122</u>
Fund Balance - Ending	<u><u>301,600</u></u>	<u><u>261,024</u></u>	<u><u>288,213</u></u>	<u><u>27,189</u></u>	<u><u>475,626</u></u>

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

SUPPLEMENTARY INFORMATION

Aerotropolis Regional Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2020
With Comparative Actual Amounts For 2019

	2020		Final Budget Variance Positive (Negative)	2019
	Original and Final Budget	Actual		Actual
Revenues:				
Property taxes	11,246	11,246	-	3,880
Specific ownership taxes	562	825	263	287
Adams County property taxes	28,557	28,525	(32)	8,882
City of Aurora use tax	514,895	157,604	(357,291)	34,798
City of Aurora transportation impact fees	58,140	18,972	(39,168)	-
Net investment income	6,000	14,661	8,661	26,134
Total Revenues	619,400	231,833	(387,567)	73,981
Expenditures:				
Advanced funding reimbursements	-	-	-	1,696,478
Advanced funding interest	-	-	-	50,417
Bond interest	2,497,080	964,500	1,532,580	415,271
Trustee fees	2,000	2,079	(79)	-
County Treasurer's fees	200	169	31	58
Total Expenditures	2,499,280	966,748	1,532,532	2,162,224
(Deficiency) of Revenues Over Expenditures	(1,879,880)	(734,915)	1,144,965	(2,088,243)
Other Financing Sources (Uses):				
Issuance of bonds	51,086,000	-	(51,086,000)	19,588,223
Bond issuance costs	(1,112,500)	(69,656)	1,042,844	(615,240)
Transfers in (out)	(44,506,100)	(2,172)	44,503,928	(13,625,797)
Total Other Financing Sources (Uses)	5,467,400	(71,828)	(5,539,228)	5,347,186
Net Change in Fund Balance	3,587,520	(806,743)	(4,394,263)	3,258,943
Fund Balance - Beginning	3,277,181	3,258,943	(18,238)	-
Fund Balance - Ending	6,864,701	2,452,200	(4,412,501)	3,258,943

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

Aerotropolis Regional Transportation Authority
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended December 31, 2020
With Comparative Actual Amounts For 2019

	<u>2020</u>		Final Budget Variance Positive (Negative)	<u>2019</u>
	Original and Final Budget	Actual		Actual
Revenues:				
Net investment income	50,000	44,854	(5,146)	93,663
Total Revenues	<u>50,000</u>	<u>44,854</u>	<u>(5,146)</u>	<u>93,663</u>
Expenditures:				
Trustee fees	-	114	(114)	-
Capital outlay	54,029,074	12,236,436	41,792,638	4,640,226
Total Expenditures	<u>54,029,074</u>	<u>12,236,550</u>	<u>41,792,524</u>	<u>4,640,226</u>
(Deficiency) of Revenues Over Expenditures	<u>(53,979,074)</u>	<u>(12,191,696)</u>	<u>41,787,378</u>	<u>(4,546,563)</u>
Other Financing Sources (Uses):				
Proceeds from advanced funding	-	3,027,128	3,027,128	1,161,404
Transfers in (out)	44,500,000	-	(44,500,000)	13,625,057
Total Other Financing Sources (Uses)	<u>44,500,000</u>	<u>3,027,128</u>	<u>(41,472,872)</u>	<u>14,786,461</u>
Net Change in Fund Balance	(9,479,074)	(9,164,568)	314,506	10,239,898
Fund Balance - Beginning	<u>9,715,600</u>	<u>10,239,898</u>	<u>524,298</u>	<u>-</u>
Fund Balance - Ending	<u><u>236,526</u></u>	<u><u>1,075,330</u></u>	<u><u>838,804</u></u>	<u><u>10,239,898</u></u>

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