

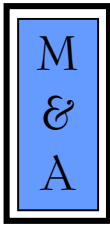
Aerotropolis Regional Transportation Authority

**Financial Statements
December 31, 2022**

**Aerotropolis Regional Transportation Authority
Financial Statements
December 31, 2022**

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 – A3
Management's Discussion and Analysis	B1 – B4
Government-wide Financial Statements:	
Balance Sheet/Statement of Net Position	C1
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	C2
Notes to the Financial Statements	D1 – D20
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	E1
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Debt Service Fund	F1
Capital Projects Fund	F2



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Aerotropolis Regional Transportation Authority
Aurora, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Aerotropolis Regional Transportation Authority (the "Authority"), as of and for the year ended December 31, 2022, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

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 Aerotropolis Regional Transportation Authority, as of December 31, 2022 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Aerotropolis Regional Transportation Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Aerotropolis Regional Transportation Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITORS REPORT
To the Board of Directors
Aerotropolis Regional Transportation Authority

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate 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

U.S. GAAP require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 required supplementary information in accordance with U.S. GAAS, 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 comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the audited 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 U.S. GAAS. In our opinion, the information in Section E is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Aerotropolis Regional Transportation Authority

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aerotropolis Regional Transportation Authority's basic financial statements. The individual fund budgetary comparisons in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparisons are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 U.S. GAAS. In our opinion, the information in Section F is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McMahan and Associates, L.L.C.
Avon, Colorado

MANAGEMENT'S DISCUSSION & ANALYSIS

Aerotropolis Regional Transportation Authority

Management's Discussion and Analysis

December 31, 2022

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, 2022.

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 utilizes three governmental funds; 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, 2022 compared with net position as of December 31, 2021.

**Aerotropolis Regional Transportation Authority
Net Position**

	Governmental Activities	
	2022	2021
Assets:		
Cash and investments	36,291,270	51,224,579
Property tax receivable	462,379	136,919
Other current assets	6,948,507	390,029
Capital assets, net of accumulated depreciation	40,098,596	31,925,874
Total Assets	83,800,752	83,677,401
Liabilities:		
Current	2,838,531	714,254
Long-term	84,131,491	85,555,179
Total Liabilities	86,970,022	86,269,433
Deferred Inflows of Resources:		
Deferred property tax revenue	462,379	136,919
Total Deferred Inflows of Resources	462,379	136,919
Net Position:		
Net investment in capital assets	(5,646,701)	(2,639,935)
Restricted	2,255,584	1,169,389
Unrestricted	(240,532)	(1,258,405)
Total Net Position	(3,631,649)	(2,728,951)

At the end of the current fiscal year, the Authority's negative net position increased primarily as a result of using reserves set aside from the 2021 bonds towards making long-term debt payments.

The change in net position for the years ended December 31, 2022 and December 31, 2021 is summarized in the following table:

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

	Governmental Activities	
	2022	2021
Revenues:		
Property taxes	478,771	30,320
Other taxes	1,947,871	1,783,663
Net investment income	314,564	2,403
Other revenues	244,796	251,594
Total Revenues	<u>2,986,002</u>	<u>2,067,980</u>
Expenses:		
General government	111,137	130,867
Debt service interest	3,777,563	1,688,428
Bond issuance cost	-	1,527,463
Total Expenses	<u>3,888,700</u>	<u>3,346,758</u>
Change in Net Position	(902,698)	(1,278,778)
Net Position - Beginning	<u>(2,728,951)</u>	<u>(1,450,173)</u>
Net Position - Ending	<u>(3,631,649)</u>	<u>(2,728,951)</u>

The Authority has a negative net position because expenses exceeded revenue generated in both 2021 and 2022.

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 \$102,922 compared with \$127,957 in 2021. Expenditures are comprised primarily of professional fees for management, accounting, and legal services. These costs were funded by the member contributions made in 2018 and the transfer of 1% of revenues from the Debt Service Fund.

Debt Service Fund expenditures were \$4,093,101 and were comprised primarily of debt service payments on the Series 2019 & Series 2021 Bonds. Expenditures were funded by current year revenues as well as proceeds from the Series 2021 Special Revenue Bonds issued in October of 2021.

Capital Fund expenditures were \$14,955,419 compared to \$22,850,641 in 2021. These costs were funded with bond proceeds from the Series 2019 Special Revenue Bonds issued in July 2019 and Series 2021 Special Revenue Bonds issued in October 2021. The Authority also reported a \$6,782,697

reimbursement for capital expenditures from AACMD for capital project costs that will be funded from future bond issuances.

As of the end of 2022, the Authority's governmental funds reported an ending fund balance of \$41,021,284 compared to \$50,404,097 in 2021. The fund balance decreased primarily as a result of the spending proceeds from the Series 2021 bonds on capital projects and debt service expenditures. The current ending fund balance is comprised primarily of restricted funds to be used for construction of Phase 1 Improvements and future debt service expenditures.

Budget variances: The General Fund ending fund balance finished the year \$49,750 ahead of budget. Expenditures were less than budget primarily because of a reduction in consultant's fees charged to the general fund and no contingency expended. 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 \$199,660 less than budget. The variance is primarily because use tax and transportation impact fees were less than budget. 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 \$7,277,315 greater than budget. Capital expenditures were less than was budgeted as capital expenditures but the Authority was also reimbursed by AACMD for capital costs which will be funded from future bond issuances. 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 \$40,098,596 at the end of 2022 compared to \$31,925,874 at the end of 2021. 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 D12 of this report.

Long-term debt: During 2022 the Authority continued to make the required payments on the Series 2019 and Series 2021 Revenue Bonds. 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) 210-9136.

FINANCIAL STATEMENTS

Aerotropolis Regional Transportation Authority
Balance Sheet/
Statement of Net Position
December 31, 2022

	Balance Sheet				Adjustments	Statement of Net Position
	General Fund	Debt Service Fund	Capital Projects Fund	Total		
Assets:						
Cash and investments	166,537	-	-	166,537	-	166,537
Cash and investments - restricted	-	13,226,170	22,898,563	36,124,733	-	36,124,733
Due from county treasurer	-	807	-	807	-	807
Property tax receivable	-	462,379	-	462,379	-	462,379
Accounts receivable	-	108,934	6,782,697	6,891,631	-	6,891,631
Due from other funds	-	54,000	-	54,000	-	54,000
Prepaid expenses	2,069	-	-	2,069	-	2,069
Capital assets, net of accumulated depreciation	-	-	-	-	40,098,596	40,098,596
Total Assets	168,606	13,852,290	29,681,260	43,702,156	40,098,596	83,800,752
Liabilities:						
Accrued interest payable	-	-	-	-	315,038	315,038
Accounts payable	37,010	-	2,127,483	2,164,493	-	2,164,493
Due to other funds	27,075	-	26,925	54,000	-	54,000
Bonds payable:						
Due within one year	-	-	-	-	305,000	305,000
Due in more than one year	-	-	-	-	84,131,491	84,131,491
Total Liabilities	64,085	-	2,154,408	2,218,493	84,751,529	86,970,022
Deferred Inflows of Resources:						
Deferred tax revenues	-	462,379	-	462,379	-	462,379
Total Deferred Inflows of Resources	-	462,379	-	462,379	-	462,379
Fund Balance/Net Position:						
Fund Balance:						
Nonspendable	2,069	-	-	2,069	(2,069)	-
Restricted for emergency	3,090	-	-	3,090	(3,090)	-
Restricted for debt service	-	13,389,911	-	13,389,911	(13,389,911)	-
Restricted for capital projects	-	-	27,526,852	27,526,852	(27,526,852)	-
Assigned for 2023 budgeted deficit	86,430	-	-	86,430	(86,430)	-
Unassigned	12,932	-	-	12,932	(12,932)	-
Total Fund Balance	104,521	13,389,911	27,526,852	41,021,284	(41,021,284)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	168,606	13,852,290	29,681,260	43,702,156	(43,702,156)	-
Net Position:						
Net investment in capital assets					(5,646,701)	(5,646,701)
Restricted for emergency					3,090	3,090
Restricted for debt service					2,252,494	2,252,494
Unrestricted					(240,532)	(240,532)
Total Net Position					(3,631,649)	(3,631,649)

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, 2022

Statement of Revenues, Expenditures and Changes in Fund Balance						
	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues:						
Property tax	-	136,917	-	136,917	-	136,917
Specific ownership tax	-	9,326	-	9,326	-	9,326
Adams County property taxes	-	328,929	-	328,929	-	328,929
ARI property taxes	-	12,925	-	12,925	-	12,925
City of Aurora use tax	-	1,938,545	-	1,938,545	-	1,938,545
City of Aurora transportation impact fees	-	244,796	-	244,796	-	244,796
Net investment income	-	88,527	226,037	314,564	-	314,564
Total Revenues	-	2,759,965	226,037	2,986,002	-	2,986,002
Expenditures/Expenses:						
Accounting and audit	54,100	-	-	54,100	-	54,100
Legal	19,379	-	-	19,379	-	19,379
Authority management	18,488	-	-	18,488	-	18,488
Financial advisor	5,847	-	-	5,847	-	5,847
Subscriptions and dues	526	-	-	526	-	526
Insurance	2,061	-	-	2,061	-	2,061
Meeting expense	40	-	-	40	-	40
Miscellaneous	2,551	8,145	-	10,696	-	10,696
Debt service						
Principal	-	290,000	-	290,000	(290,000)	-
Interest and fiscal changes	-	3,794,956	-	3,794,956	(17,393)	3,777,563
Capital outlay	-	-	14,955,419	14,955,419	(14,955,419)	-
Total Expenditures/Expenses	102,992	4,093,101	14,955,419	19,151,512	(15,262,812)	3,888,700
Other Financing Sources:						
Reimbursement from AACMD	-	-	6,782,697	6,782,697	(6,782,697)	-
Transfers in (out)	26,694	15,338	(42,032)	-	-	-
Total Other Financing Sources	26,694	15,338	6,740,665	6,782,697	(6,782,697)	-
Excess (Deficiency) of Revenues Over Expenditures	(76,298)	(1,317,798)	(7,988,717)	(9,382,813)	9,382,813	
Change in Net Position					(902,698)	(902,698)
Fund Balance/Net Position:						
Beginning	180,819	14,707,709	35,515,569	50,404,097		(2,728,951)
Ending	104,521	13,389,911	27,526,852	41,021,284		(3,631,649)

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, 2022

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 Authority 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. In June 2021, the first supplement to the IGA was executed, the purpose of which was to identify certain additional regional transportation infrastructure projects as additional components of the regional transportation system.

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, 2022
(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, 2022
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (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, 2022
(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, 2022, 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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two types of item that qualifies for reporting in this category. Accordingly, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available and earned. Other unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Long-term Debt

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the respective life of the debt using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are expensed as incurred.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. 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.

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.

8. 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, 2022
(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	40,098,596
Total adjustments	40,098,596

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

Bonds payable	(84,000,000)
Unamortized bond premium	(436,491)
Accrued interest payable	(315,038)
Total adjustments	(84,751,529)

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. Governmental funds report proceeds on disposal of capital assets, however disposal of capital assets is a decrease to net position.

Capital outlay	14,955,419
Disposal of assets	(6,782,697)
Total adjustments	8,172,722

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 - principal	290,000
Debt service - premium amortization	16,185
Change in accrued interest	1,208
Total adjustments	307,393

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(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.

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, 2022, year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$3,090 which is the approximate required reserve at December 31, 2022.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

III. Stewardship, Compliance, and Accountability (continued)

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

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?"

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?"

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

III. Stewardship, Compliance, and Accountability (continued)

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

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, Powhaton 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.

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.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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		114,853	-	-
BOK Financial - Cash		1,000,000	-	-
<i>Investments:</i>				
Colotrust Plus+	AAAm	51,684	51,684	-
BOK Financial - Colotrust Plus+	AAAm	2,357,302	2,357,302	-
BOK Financial - CSIP	AAAm	12,991,615	12,991,615	-
BOK Financial - Treasuries	AAAm	12,868,868	12,868,868	-
BOK Financial - Commercial paper	A+ thru AA	5,259,506	5,259,506	-
BOK Financial - Certificates of deposit	A+	1,647,442	1,647,442	-
		<u>36,291,270</u>		

The Authority had invested \$2,408,986 and \$12,991,615 in Colotrust and CSIP, respectively, which are 2a7-like pools. The fair value of the pool is determined by the pool's share price. The Authority has no regulatory oversight for the pool. At December 31, 2022, the Authority's investments in Colotrust, CSIP, Treasurer, and Commercial Paper were 7%, 37%, 37%, and 15% respectively, of the Authority's investment portfolio.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(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, 2022 the Authority had the following recurring measurements:

<u>Investments Measured at Fair Value</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
BOK Financial - U.S. Treasuries	12,868,868	12,868,868	-	-
BOK Financial - Commercial paper	5,259,506	-	5,259,506	-
BOK Financial - Certificates of deposit	1,647,442	-	1,647,442	-
	<u>19,775,816</u>	<u>12,868,868</u>	<u>6,906,948</u>	<u>-</u>
<u>Investments Measured at Net Asset Value</u>				
Colotrust Plus+	51,684			
BOK Financial - Colotrust Plus+	2,357,302			
	<u>2,408,986</u>			
<u>Investments Measured at Net Amortized Cost</u>				
BOK Financial - CSIP	12,991,615			
	<u>12,991,615</u>			
Total investments	<u><u>35,176,417</u></u>			

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments in Level 2 are valued using the following approaches:

- Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond and Equity Mutual Funds: published fair value per share (unit) for each fund.

At December 31, 2022 the Authority had restricted investments for the following purposes:

Bond Reserve Fund	6,752,461
Bond Fund	1,537,091
Capitalized Interest Fund	2,847,865
Surplus Fund	2,088,753
Project Fund	22,898,563
	<u><u>36,124,733</u></u>

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Capital assets, not being depreciated:				
Construction in progress:				
48th Avenue	18,477	301,355	(258,345)	61,487
38th Avenue	1,448,684	138,994	-	1,587,678
The Aurora Highlands Parkway	16,573,239	3,036,316	(5,493,632)	14,115,923
26th Avenue	624,795	1,015,969	-	1,640,764
Powhaton Road	801,228	1,096,873	(1,030,720)	867,381
E-470 Full/Interim Interchange	9,695,648	7,991,000	-	17,686,648
I-70 Interchange	2,400,953	1,192,126	-	3,593,079
Cost Verification Services	177,832	46,914	-	224,746
Project Management	25,496	18,384	-	43,880
Administrative Costs	159,522	117,488	-	277,010
Total construction in progress	<u>31,925,874</u>	<u>14,955,419</u>	<u>(6,782,697)</u>	<u>40,098,596</u>
Total capital assets, not being depreciated	<u>31,925,874</u>	<u>14,955,419</u>	<u>(6,782,697)</u>	<u>40,098,596</u>
Total Capital Assets	<u>31,925,874</u>	<u>14,955,419</u>	<u>(6,782,697)</u>	<u>40,098,596</u>

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 to 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.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations (continued)

1. Advanced Funding – AACMD (continued)

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 through February 28, 2021 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.

The cumulative balance of the initial funding advances and the interim Phase I fundings as of June 30, 2019 of \$1,696,478, plus interest of \$50,417 was reimbursed to AACMD by ARTA on July 1, 2019. The cumulative balance of additional interim Phase 1 fundings as of October 13, 2021 of \$8,207,751, plus interest of \$128,495 was reimbursed to AACMD by ARTA on October 14, 2021. As of December 31, 2022, the Authority does not owe AACMD for advanced fundings.

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 tax revenue, net of collection fees, 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, 2022, there was no balance in the Capitalized Interest Fund.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations (continued)

2. Special Revenue Bonds, Series 2019 (continued)

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, 2022, the Reserve Fund had a balance of \$1,257,000.

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.

3. Special Revenue Bonds, Series 2021

On October 14, 2021, the Authority issued \$65,000,000 of General Obligation Limited Tax and Special Revenue Bonds, Series 2021, to fund the construction of the regional transportation system. The bonds maturing through December 1, 2041 accrue interest at 4.250% annually and the bonds maturing through December 1, 2052 accrue interest at 4.375% annually.

The Series 2021 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.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations (continued)

3. Special Revenue Bonds, Series 2021 (continued)

At the closing of the Series 2021 Bonds, capitalized interest equal to \$6,030,444 was deposited into a Bond Fund exclusively to pay interest on the Bonds through December 1, 2023. At December 31, 2022, the Capitalized Interest Fund had a balance of \$2,847,865.

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, 2022, the Reserve Fund had a balance of \$5,495,461.

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 to any fund or account as may be designated by the Authority.

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, 2026, 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, 2026, to November 30, 2027	3.00%
December 1, 2027, to November 30, 2028	2.00%
December 1, 2028, to November 30, 2029	1.00%
December 1, 2029, and thereafter	0.00%

The Series 2021 Bonds maturing December 1, 2041 and December 1, 2052 are subject to mandatory sinking fund redemption requirements in accordance with the Indenture.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

C. Long-term Obligations (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	305,000	3,780,456	4,085,456
2024	320,000	3,765,206	4,085,206
2025	335,000	3,749,206	4,084,206
2026	355,000	3,732,456	4,087,456
2027	370,000	3,714,706	4,084,706
2028 - 2032	2,155,000	18,276,031	20,431,031
2033 - 2037	5,655,000	17,546,244	23,201,244
2038 - 2042	14,085,000	15,554,219	29,639,219
2043 - 2047	25,240,000	11,456,938	36,696,938
2048 - 2052	35,180,000	4,876,000	40,056,000
Total	<u>84,000,000</u>	<u>86,451,462</u>	<u>170,451,462</u>

The Authority had the following changes in debt for the year ended December 31, 2022:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>One Year</u>
S.R. Bonds, Series 2019	19,290,000	-	(290,000)	19,000,000	305,000
Premium on 2019 bonds	271,112	-	(9,037)	262,075	-
S.R. Bonds, Series 2021	65,000,000	-	-	65,000,000	-
Premium on 2021 bonds	181,564	-	(7,148)	174,416	-
Total	<u>84,742,676</u>	<u>-</u>	<u>(306,185)</u>	<u>84,436,491</u>	<u>305,000</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.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

V. Other Information (continued)

A. Risk Management (continued)

Colorado Special Districts Property and Liability Pool (continued)

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, 2022 (the latest audited information available) is as follows:

Assets	69,212,177
Liabilities	45,329,704
Capital and surplus	23,882,473
Total	69,212,177
Revenue	27,064,468
Underwriting expense	25,447,966
Underwriting gain (loss)	1,616,502
Other income	462,530
Net Income (Loss)	2,079,032

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 ARTA in the full discretion of the Board of Directors of ARTA for any and all purposes of 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.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

V. Other Information (continued)

B. Intergovernmental Agreements (continued)

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.

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.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

V. Other Information (continued)

B. Intergovernmental Agreements (continued)

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.

6. Imposition, Collection and Transfer of ARI Mill Levies

On October 12, 2021, the Authority entered into an intergovernmental agreement with Green Valley Ranch East Metropolitan District Nos. 6 – 8 (“GVRE”) to impose an ARI Mill Levy starting with levies imposed for 2021 and collected in 2022, and each year thereafter until the Establishing IGA is terminated. GVRE shall collect and transfer the revenues derived therefrom to the Authority. GVRE shall also transfer all revenues derived from ARI Mill Levies prior to the agreement’s effective date to the Authority. Contemporaneously, the Authority entered into an intergovernmental agreement with Green Valley Ranch East Metropolitan District No. 6 (“GVRE6”) regarding the funding and construction of components of the regional transportation system improvements within GVRE6’s boundaries. Under the terms of the agreement, the Authority generally agrees to use commercial best efforts to plan, design, fund and complete the projects detailed in the agreement, or to reimburse GVRE6 for the same if such projects are undertaken by GVRE6.

On October 12, 2021, the Authority entered into an intergovernmental agreement with The Aurora Highlands Metropolitan District Nos. 1 – 3 (“TAH”) to impose an ARI Mill Levy starting with levies imposed for 2021 and collected in 2022, and each year thereafter until the Establishing IGA is terminated. TAH shall collect and transfer the revenues derived therefrom to the Authority. TAH shall also transfer all revenues derived from ARI Mill Levies prior to the agreement’s effective date to the Authority. On November 24, 2021, the Authority entered into an agreement with The Aurora Highlands Community Authority Board (“CAB”) regarding the funding and construction of components of existing projects set forth in the Establishing IGA’s capital plan. Under the terms of the agreement, the Authority generally agrees to use commercial best efforts to plan, design, fund and complete the projects detailed in the agreement, or to reimburse TAH for the same if such projects are undertaken by TAH.

Aerotropolis Regional Transportation Authority
Notes to the Financial Statements
December 31, 2022
(continued)

V. Other Information (continued)

B. Intergovernmental Agreements (continued)

6. Imposition, Collection and Transfer of ARI Mill Levies (continued)

On October 12, 2021, the Authority entered into an intergovernmental agreement with ATEC Metropolitan District Nos. 1 – 2 (“ATEC”) to impose an ARI Mill Levy starting with levies imposed for 2021 and collected in 2022, and each year thereafter until the Establishing IGA is terminated. ATEC shall collect and transfer the revenues derived therefrom to the Authority. ATEC shall also transfer all revenues derived from ARI Mill Levies prior to the agreement’s effective date to the Authority.

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, 2022
With Comparative Actual Amounts For the Year Ended 2021

	<u>2022</u>		<u>2021</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Net investment income	251	-	(251)	82
Total Revenues	<u>251</u>	<u>-</u>	<u>(251)</u>	<u>82</u>
Expenditures:				
Accounting and audit	50,000	54,100	(4,100)	48,857
Legal	43,000	19,379	23,621	39,137
Authority management	26,250	18,488	7,762	23,571
Financial advisor	9,500	5,847	3,653	11,363
Subscriptions and dues	1,200	526	674	462
Insurance	1,800	2,061	(261)	2,060
Meeting expenses	1,200	40	1,160	44
Website	400	-	400	-
Miscellaneous	3,650	2,551	1,099	2,463
Contingency	13,700	-	13,700	-
Total Expenditures	<u>150,700</u>	<u>102,992</u>	<u>47,708</u>	<u>127,957</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(150,449)</u>	<u>(102,992)</u>	<u>47,457</u>	<u>(127,875)</u>
Other Financing Sources (Uses):				
Transfers in (out)	30,668	26,694	(3,974)	20,481
Total Other Financing Sources (Uses)	<u>30,668</u>	<u>26,694</u>	<u>(3,974)</u>	<u>20,481</u>
Net Change in Fund Balance	(119,781)	(76,298)	43,483	(107,394)
Fund Balance - Beginning	<u>176,352</u>	<u>180,819</u>	<u>4,467</u>	<u>288,213</u>
Fund Balance - Ending	<u><u>56,571</u></u>	<u><u>104,521</u></u>	<u><u>47,950</u></u>	<u><u>180,819</u></u>

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, 2022
With Comparative Actual Amounts For 2021

	<u>2022</u>		<u>2021</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Property taxes	136,919	136,917	(2)	5,752
Specific ownership taxes	8,216	9,326	1,110	938
Adams County property taxes	349,773	328,929	(20,844)	7,145
ARI property taxes	26,644	12,925	(13,719)	17,423
City of Aurora use tax	2,239,753	1,938,545	(301,208)	1,782,725
City of Aurora transportation impact fees	305,482	244,796	(60,686)	251,594
Net investment income	13,000	88,527	75,527	1,458
Total Revenues	<u>3,079,787</u>	<u>2,759,965</u>	<u>(319,822)</u>	<u>2,067,035</u>
Expenditures:				
Bond principal	290,000	290,000	-	-
Bond interest	3,794,956	3,794,956	-	1,334,032
Bond issuance costs	-	-	-	1,527,463
Trustee fees	4,000	6,082	(2,082)	2,566
County Treasurer's fees	2,054	2,063	(9)	87
Contingency	25,000	-	25,000	-
Total Expenditures	<u>4,116,010</u>	<u>4,093,101</u>	<u>22,909</u>	<u>2,864,148</u>
(Deficiency) of Revenues Over Expenditures	(1,036,223)	(1,333,136)	(296,913)	(797,113)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	65,000,000
Premium on bonds	-	-	-	182,497
Transfers in (out)	(30,668)	15,338	46,006	(52,129,875)
Total Other Financing Sources (Uses)	<u>(30,668)</u>	<u>15,338</u>	<u>46,006</u>	<u>13,052,622</u>
Net Change in Fund Balance	(1,066,891)	(1,317,798)	(250,907)	12,255,509
Fund Balance - Beginning	<u>14,656,462</u>	<u>14,707,709</u>	<u>51,247</u>	<u>2,452,200</u>
Fund Balance - Ending	<u>13,589,571</u>	<u>13,389,911</u>	<u>(199,660)</u>	<u>14,707,709</u>

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, 2022
With Comparative Actual Amounts For 2021

	<u>2022</u>		<u>2021</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Net investment income	33,000	226,037	193,037	863
Total Revenues	<u>33,000</u>	<u>226,037</u>	<u>193,037</u>	<u>863</u>
Expenditures:				
Repayment on advanced funding	-	-	-	8,207,751
Interest on advanced funding	-	-	-	128,495
Trustee fees	600	-	600	257
Capital outlay	16,605,677	14,955,419	1,650,258	14,514,138
Total Expenditures	<u>16,606,277</u>	<u>14,955,419</u>	<u>1,650,858</u>	<u>22,850,641</u>
(Deficiency) of Revenues Over Expenditures	<u>(16,573,277)</u>	<u>(14,729,382)</u>	<u>1,843,895</u>	<u>(22,849,778)</u>
Other Financing Sources (Uses):				
Proceeds from advanced funding	-	-	-	5,180,623
Reimbursement from AACMD	-	6,782,697	6,782,697	-
Transfers in (out)	-	(42,032)	(42,032)	52,109,394
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,740,665</u>	<u>6,740,665</u>	<u>57,290,017</u>
Net Change in Fund Balance	(16,573,277)	(7,988,717)	8,584,560	34,440,239
Fund Balance - Beginning	<u>36,822,814</u>	<u>35,515,569</u>	<u>(1,307,245)</u>	<u>1,075,330</u>
Fund Balance - Ending	<u>20,249,537</u>	<u>27,526,852</u>	<u>7,277,315</u>	<u>35,515,569</u>