THE AURORA HIGHLANDS
METROPOLITAN DISTRICT NO. 1
Adams County, Colorado

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Aurora Highlands Metropolitan District No. 1
Adams County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of The Aurora Highlands Metropolitan District No. 1 (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Fiscal Focus Partners LLC

Arvada, Colorado
September 26, 2024

BASIC FINANCIAL STATEMENTS

THE AURORA HIGHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities
ASSETS	
Cash	$ 14
Receivable from County Treasurer	5,072
Property Tax Receivable	1,635,088
Total Assets	1,640,174
LIABILITIES	
Due to Other Districts	5,086
Total Liabilities	5,086
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	1,635,088
Total Deferred Inflows of Resources	1,635,088
NET POSITION	
Unrestricted	-
Total Net Position	$ -

See accompanying Notes to Basic Financial Statements.

THE AURORA HIGHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 968,316	$ -	$ -	$ -	$ (968,316)
Total Governmental Activities	$ 968,316	$ -	$ -	$ -	(968,316)
GENERAL REVENUES					
Property Taxes					897,285
Property Taxes from ARI Mill Levy					8,377
Specific Ownership Taxes					59,489
Interest Income					3,165
Total General Revenues					968,316
CHANGE IN NET POSITION					-
Net Position - Beginning of Year					-
NET POSITION - END OF YEAR					$ -

See accompanying Notes to Basic Financial Statements.

THE AURORA HIGHLANDS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General
ASSETS	
Cash	$ 14
Receivable from County Treasurer	5,072
Property Tax Receivable	1,635,088
Total Assets	$ 1,640,174
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to Other Districts	$ 5,086
Deferred Property Tax	1,635,088
Total Liabilities	1,640,174
FUND BALANCE	
Unassigned:	
General Government	-
Total Fund Balance	-
Total Liabilities and Fund Balances	$ 1,640,174

Amounts reported for governmental activities in the Statement of Net Position are the same as above for total fund balance.

See accompanying Notes to Basic Financial Statements.

THE AURORA HIGHLANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2023

	General
REVENUES	
Property Taxes	$ 897,285
Property Taxes from ARI Mill Levy	8,377
Specific Ownership Taxes	59,489
Interest Income	3,165
Total Revenues	968,316
EXPENDITURES	
General Government:	
County Treasurer's Fee	10,497
County Treasurer's Fee - ARTA	98
IGA Expenditure - ARTA	8,279
IGA Expenditure - CAB	949,442
Total Expenditures	968,316
NET CHANGE IN FUND BALANCE	-
Fund Balances - Beginning of Year	-
FUND BALANCES - END OF YEAR	$ -

Amounts reported for governmental activities in the Statement of Activities are the same as above.

See accompanying Notes to Basic Financial Statements.

THE AURORA HIGHLANDS METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Budgets		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 899,533	$ 899,533	$ 897,285	$ (2,248)
Property Taxes from ARI Mill Levy	8,398	8,398	8,377	(21)
Specific Ownership Taxes	63,555	63,555	59,489	(4,066)
Interest Income	-	3,500	3,165	(335)
Other Revenue	1,000	1,000	-	(1,000)
Total Revenues	972,486	975,986	968,316	(7,670)
EXPENDITURES				
General Government:				
County Treasurer's Fee	13,493	13,493	10,497	2,996
County Treasurer's Fee - ARTA	126	126	98	28
IGA Expenditure - ARTA	8,272	8,272	8,279	(7)
IGA Expenditure - CAB	949,595	953,095	949,442	3,653
Contingency	1,000	1,000	-	1,000
Total Expenditures	972,486	975,986	968,316	7,670
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
Fund Balance - Beginning of Year		-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -	$ -

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

The Aurora Highlands Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Adams County, Colorado (the City), on November 15, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statues). The District operates pursuant to the Consolidated Amended and Restated Service Plan for The Aurora Highlands Metropolitan District Nos. 1-5 and First Creek Ranch Metropolitan District (to be known as The Aurora Highlands Metropolitan District 6), (collectively, the Districts) dated effective April 23, 2022. The Districts were established to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of Public Improvements required for the development of property commonly referred to as The Aurora Highlands in conjunction with the Aerotropolis Technology and Energy Corridor from the proceeds of debt to be issued by the Districts. The Districts along with Aerotropolis Area Coordinating Metropolitan District (AACMD), ATEC Metropolitan District No. 1 (ATEC 1), ATEC Metropolitan District No. 2 (ATEC 2) and The Aurora Highlands Community Authority Board (the CAB) have entered intergovernmental cost sharing and recovery agreements which govern the relationships between and among the districts with respect to the financing, construction and operations of the improvements (see Note 5).

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide financial benefits or burdens and fiscal dependency.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

> The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its budget for the year ended December 31, 2023.

Equity

Net Position

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

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity(Continued)

Fund Balance (Continued)

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 CASH AND INVESTMENTS

Cash as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash & Investments	$ 14
Total Cash	$ 14

Cash and investments as of December 31, 2023, consist of the following:

Investments	$ 14
Total Cash	$ 14

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those investments which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

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

As of December 31, 2023, the District has the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	$ 14
		$ 14

CSAFE
The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S. including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities certain obligations of U.S. government agencies and highest rated commercial paper.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 NET POSITION

The District has net position consisting of one component – unrestricted.

The unrestricted component of net position is the net amount of assets, deferred outflow of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

The District's unrestricted net position as of December 31, 2023 is $0.

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

The Aurora Highlands Community Authority Board Establishment Agreement

The Districts in connection with the AACMD, ATEC 1, ATEC 2 (collectively, the CAB Districts) entered into the Aurora Highlands Community Authority Board Establishment Agreement first effective November 19, 2019 and subsequently, amended and restated on April 16, 2020, April 27, 2022, and December 15, 2022 (CABEA). The CAB's service area is within the boundaries of The Aurora Highlands master planned development, which is located in Adams County, Colorado, within the City of Aurora (City) and consists of the combined service areas of the CAB Districts. As set forth in the CABEA, the primary purpose of the CAB is to coordinate the development of public improvements for the benefit of the CAB Districts, the residents, and property owners, and to own, operate, and maintain all public improvements within the service area. The members of the Board of Directors for the CAB are appointed by the CAB Districts. The CAB is financially accountable for the CAB Districts and provides administrative services to the CAB Districts listed in the CABEA, but the CAB is not considered a component unit of any other primary governmental entity, including the CAB Districts, nor are any of the CAB Districts considered a component unit of the CAB.

NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Mill Levy Policy Agreement

Effective June 30, 2020, the CAB and CAB Districts entered into a Mill Levy Policy Agreement, which was amended and restated on December 22, 2021. The Amended and Restated Mill Levy Allocation Policy Agreement sets forth the agreement of the CAB Districts that the respective obligations of each CAB District under the CABEA and the applicable pledge agreements are fair and equitable in light of the benefits received by the CAB Districts. Each CAB District, that is a party to the Amended and Restated Mill Levy Policy Agreement, agrees to cooperate and coordinate with each other to ensure that the mill levies determined by the CAB each year are imposed and transferred to the CAB in accordance with the applicable pledge agreements. The Amended and Restated Mill Levy Policy Agreement shall continue to be in effect until: (a) each CAB District agrees in writing to terminate the agreement; (b) no debt is outstanding; (c) all public improvements owned by the CAB or the CAB Districts have been conveyed to another governmental entity; and (d) all operations and maintenance obligations with respect to such public improvements and all other services performed by the CAB and the CAB Districts have been assumed by another governmental entity.

ARI Mill Levy Intergovernmental Agreement

The District is a party to the Intergovernmental Agreement Regarding Imposition, Collection and Transfer of ARI Mill Levies dated October 12, 2021, (the ARI IGA) with TAH Nos. 2-3, AACMD and Aerotropolis Regional Transportation Authority (ARTA). Pursuant to the ARI IGA, each of the Districts are required to impose an ARI Mill Levy equal to five (5) mills, plus any applicable Gallagher Adjustment, minus any mill levy imposed by ARTA, on all property within their respective boundaries and transfer the revenues derived therefrom to ARTA within sixty (60) days of the receipt thereof for use by ARTA.

During 2023 the District collected $8,398 of ARI mill levy taxes and transferred $8,279 of the taxes to ARTA.

Revenue Pledge Agreement

On December 22, 2021, the District and the CAB entered into a Revenue Pledge Agreement (Pledge Agreement). Per the Pledge Agreement, the District is required to impose a debt service mill levy and remit the revenue received to the CAB. The CAB has pledged revenues derived therefrom to the payment of the Series 2021A Special Tax Revenue Refunding and Improvement Bonds (2021 Bonds). The Required Debt Service Mill Levy is required to first be imposed by the District in levy year 2024 (for collection in 2025).

In December 2022, the CAB issued Series 2022B Subordinate Special Tax Revenue Bonds (2022B Bonds) which are secured, in part, by the Pledge Agreement.

NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Revenue Pledge Agreement (Continued)

The Pledge Agreement shall remain in effect until the date on which all amounts due with respect to the 2021 Bonds, the 2022B Bonds and other CAB bonds issued in the future have been defeased or paid in full, provided however, that if the payment obligation payable is not paid in full or defeased on such termination date, then the District shall continue to be obligated to levy the Required Debt Service Mill Levy and apply the Pledged Revenue to the repayment of such unpaid payment obligations; provided further, however, that in no event may the District levy its Required Debt Service Mill Levy for longer than fifty (50) years after the year of the initial imposition of the Required Debt Service Mill Levy by the District in accordance with its Service Plans unless the Service Plan is amended to eliminate or extend such imposition term.

The Pledge Agreement additionally requires the District to impose the Required Operations Mill Levy. The District is required to impose 70 mills less the number of mills equal to the Required Debt Service Mill Levy. Such number of mills is subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement on or after January 1, 2004, net of the costs of collections and any tax refunds or abatements authorized by or on behalf of the County. The Required Operations Mill Levy will be provided to the CAB for the purpose of funding the CAB's operating costs.

Under the Pledge Agreement, during 2023, the District transferred $949,442 to the CAB for debt service and operations.

NOTE 6 RELATED PARTIES

The property within the District service area is being developed by AH LLC (Developer) and entities affiliated with the Developer. A significant portion of the property located within the District's service area is owned by entities affiliated with the Developer. Two of the Board members of the District are affiliated with the Developer. As such, these Board members may have conflicts of interest in dealing with the District.

NOTE 7 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 8, 2016, the voters within the District authorized an increase in property taxes generated from an operations mill levy of up to $5,000,000 without limitation of rate.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Since substantially all TABOR eligible funds received by the District are transferred to the CAB, which pays for the District's operations and maintenance costs, an Emergency Reserve is not reflected in the District's financial statements. The Emergency Reserve required by TABOR is maintained by the CAB.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.