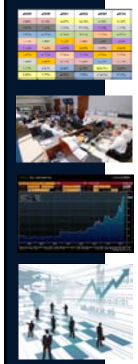
HIGHLANDS RANCH METROPOLITAN DISTRICT
FINANCE WORKSHOP ADDENDA

February 22, 2017

Addendum documents can also be viewed at
http://highlandsranch.org
or
http://intranet.highlandsranch.org/default.aspx

- The PFM Group
- HRMD Financial Results as of December 2016



The PFM Group

Financial & Investment Advisors

HIGHLANDS RANCH Metro District

Highlands Ranch Metropolitan District

Investment Performance Review
Quarter Ended December 31, 2016

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Economic and Market Update

CURRENT MARKET THEMES

- Treasury yields are much higher and the yield curve is steeper as long-term rates soared with higher inflation expectations post-election
- Market participants expect the Federal Reserve (the "Fed") to raise rates twice in 2017 under moderate economic conditions:
  - GDP growth accelerating after weak first half of 2016
  - Labor market continues to strengthen
  - Inflation picking up slowly
- Fed officials forecast three interest rate hikes, according to the "dot plot"
- President-elect Trump's proposed spending policies are expected to drive inflation higher and may benefit corporations through tax cuts and deregulation
- Upcoming 2017 elections in Europe could add political uncertainty and generate market volatility

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U.S. ECONOMIC & MARKET HIGHLIGHTS

Over the Last 12 Months

Economy Grew
$534 billion

Jobs Created
2.2 million

New Vehicles Sold
17.5 million

New Homes Sold
561 thousand

Economic Highlights

Consumer Confidence
Highest since 2001

Jobless Claims
Lowest since 1974

Consumer Prices
Highest since 2014

Housing Prices
Record high

Market Highlights

Equities
Record high

2-Yr Treasury Yield
Highest since 2011

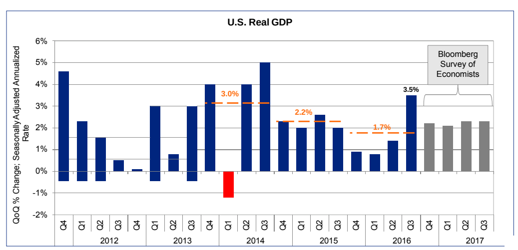
US Dollar
Highest since 2003

Oil
Highest since 2015

Source: Bloomberg. As of 12/31/16.

U.S. ECONOMY BOUNCES BACK IN THIRD QUARTER

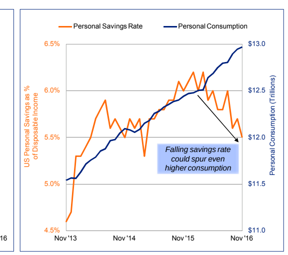
- U.S. GDP growth increased at an annual rate of 3.5% in the third quarter of 2016, the strongest reading in two years.
- Third quarter GDP reflected positive contributions from personal consumption, gross private investment, government spending, and net exports. Gross private investment has returned to positive territory, driven entirely by a large increase in private inventories, after three straight quarters of negative contributions to GDP.



Source: Bureau of Economic Analysis; Bloomberg survey results as of 12/31/16.

CONSUMER CONFIDENCE

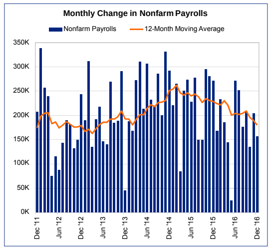
- Consumer confidence surged to the highest level since 2001 following the U.S. presidential election.
- Stronger consumer sentiment should encourage more spending. The recent trend of declining savings rate could also result in even higher personal consumption in 2017.

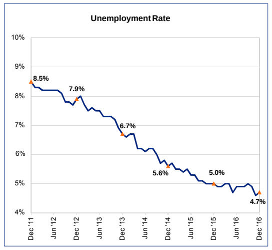


Source: Bloomberg. As of 12/31/16.

LABOR MARKET STRENGTH CONTINUES

- The U.S. labor market added 156,000 jobs in December, and averaged 180,000 per month in 2016.
- The unemployment rate ticked up to 4.7% while the U6 unemployment rate, which includes part-time and discouraged workers for economic reasons, ticked down to 9.2%, the lowest since 2008.
- Average hourly earnings grew at 2.9% for the year, the strongest since 2009.

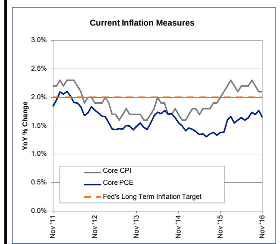


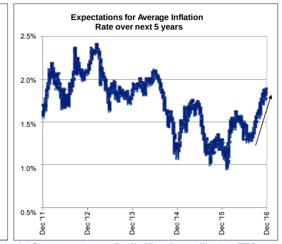


Source: Bureau of Labor Statistics, as of 01/06/17.

INFLATION RISING, BUT SLOWLY

- The core personal consumption expenditures ("PCE") price index, the Fed's preferred gauge of core inflation, stayed around 1.7% year-over-year through November, continuing to modestly undershoot the Fed's 2% target.
- However, investors are expecting inflation to pick up, with market expectations for inflation over the next five years recovering back to levels last seen in 2014; a tightening labor market together with President-elect Trump's proposed spending policies could add to price pressures and prompt the Fed to raise rates faster.





Source: Bloomberg as of 12/31/2016. Five year breakeven rate measures market expectations for inflation over next 5 years, as indicated by difference between yields on 5 year TIPS and 5 year Treasury notes.

FOMC STATEMENT HIGHLIGHTS

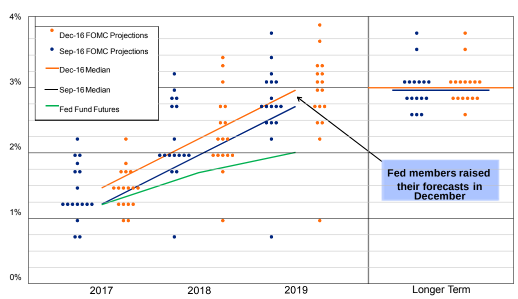
December

14

- Information received since the FOMC (the "Committee") met in November indicates that the **labor market has continued to strengthen** and that **economic activity has been expanding at a moderate pace** since mid-year.
- **Job gains have been solid** in recent months and the **unemployment rate has declined.**
- **Inflation has increased somewhat since earlier this year** but is still below the Committee's 2 percent longer-run objective, partly reflecting earlier declines in energy prices and in prices of non-energy imports.
- In view of realized and expected labor market conditions and inflation, **the Committee decided to raise the target range for the federal funds rate to 0.50 – 0.75%**.
- The stance of monetary policy **remains accommodative**, thereby supporting further strengthening in labor market conditions and a return to 2 percent inflation.
- **All 10 voting members of the FOMC supported the monetary policy action.**

Source: Federal Reserve.

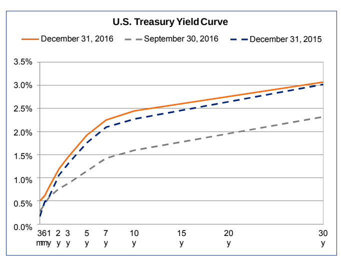
FOMC "DOT PLOT"



Source: Federal Reserve and Bloomberg; Fed Funds Futures as of 12/30/16. Individual dots represent each of the 17 FOMC members' judgment of the midpoint of the appropriate target range for the federal funds rate.

RATES RISING, TREASURY CURVE STEEPER

- Treasury rates have surged following the U.S. elections, with longer maturities rising substantially due to higher inflation expectations from the President-elect's proposed fiscal policies. The shorter end of the curve also moved higher as market participants priced in a December rate hike.
- As a result, the yield curve has steepened significantly, even compared to a year ago.

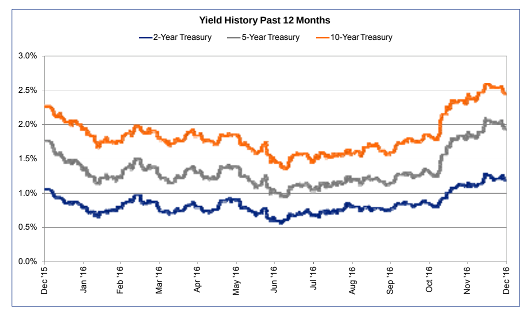


Yield Curve History

	12/31/16	09/30/16	12/31/15
1-Mo.	0.42	0.19	0.13
3-Mo.	0.50	0.28	0.17
6-Mo.	0.61	0.43	0.48
1-Yr.	0.81	0.59	0.60
2-Yr.	1.19	0.76	1.05
3-Yr.	1.45	0.88	1.31
5-Yr.	1.93	1.15	1.76
7-Yr.	2.25	1.42	2.09
10-Yr.	2.45	1.60	2.27
30-Yr.	3.07	2.32	3.02

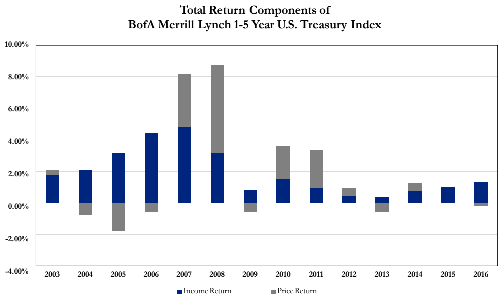
Source: Bloomberg.

U.S. TREASURY YIELDS



Source: Bloomberg, As of 12/31/16.

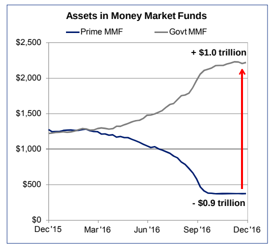
COMPONENTS OF TOTAL RETURN

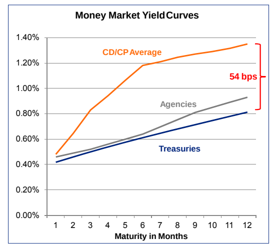


Source: Bloomberg, BofA Merrill Lynch Indices as of 12/31/16.

MONEY MARKET REFORM TAKES HOLD

- SEC-imposed money market reforms, which became effective in October 2016, caused a significant shift in assets from prime funds (which typically purchase short credit instruments) to government-only funds.
- As a result, yield spreads widened sharply, especially in the 6-12 month area of the curve, making commercial paper and negotiable bank certificates of deposit ("CDs") attractive alternatives to Treasury bills and short-term agencies.





Source: Bloomberg and PFM AM Trading Desk. As of 12/31/16.

YIELD ENVIRONMENT

As of December 31, 2016

Maturity	Treasury	Federal Agency	AA Corporate	A Corporate	AAA Taxable Municipal
3-Month	0.50%	0.54%	0.82%	0.96%	-
6-Month	0.61%	0.66%	1.07%	1.29%	-
1-Year	0.81%	0.95%	1.29%	1.42%	1.20%
2-Year	1.19%	1.25%	1.61%	1.80%	1.50%
3-Year	1.45%	1.50%	1.91%	2.13%	1.77%
5-Year	1.93%	2.03%	2.42%	2.62%	2.24%
10-Year	2.45%	2.83%	3.28%	3.37%	3.10%

Source: Bloomberg BVAL yield curves for Treasury, Corporate and Municipal yields, TradeWeb for Federal Agency yields. 3 and 6 month corporate yields from commercial paper; A-1+ for AA and A-1 for A.

POTENTIAL IMPACT OF A TRUMP ADMINISTRATION

Policy	Proposed Platform	Potential Impact
Fiscal	• Massive infrastructure spending • Increased military spending • Entitlement changes (but not social security)	• Boost economic growth over mid-term • Increase borrowing and Federal deficit • Higher inflation
Monetary	• Fill 2 vacancies on Federal Reserve Board • Increase Congressional oversight of Fed • Replace chair (Yellen) and vice chair (Fischer) when terms expire in February 2018	• Tighter monetary policy • Less regulation of banks • Higher bond yields
Regulatory	• Reduce corporate and personal income taxes • Simplify tax code • Repeal Dodd-Frank • Repeal Affordable Healthcare Act • Withdraw from Paris Climate Accord • Promote fossil fuel-based energy production	• Increase corporate earnings • Change the risk profile of the financial services industry • Disrupt the healthcare industry • Lower energy prices
Immigration	• Restrict immigration • Deport undocumented immigrants • "Force Mexico to pay"	• Labor shortages in some industries • Exacerbate trade tensions with Mexico • Push up U.S. consumer prices
Trade	• Challenge China's economic policy • Renegotiate NAFTA, abandon TPP • Impose taxes or tariffs to pressure nations to negotiate bi-lateral agreements	• Stronger U.S. dollar • Higher inflation • Possible trade wars

2017 OUTLOOK: SUMMING IT ALL UP

Key Takeaways:
- U.S. economy expected to show improving growth
- Interest rates are likely to continue rising at modest pace
- Inflation will rise from historic lows
- 35-year bull market in bonds likely over

Upside Opportunity:
- Faster economic growth creates a virtuous cycle of improving productivity and lower deficits, boosting equities and bonds

Downside Risks:
- Rising political uncertainty around the world
- Increasing trade frictions
- Business cycle is long in duration

Fixed Income Portfolio Strategy Implications

- Returns driven by Fed policy and economic landscape
- Increased volatility in the bond market due to political uncertainty
- Sector allocation remains broadly diversified
- Continued emphasis on use of credit and other spread products

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Portfolio Characteristics and Investment Strategy

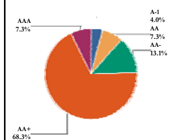
PORTFOLIO RECAP

- The U.S. presidential election dominated the 4th quarter—first by creating general uncertainty, then by triggering significant market reactions to the surprising Trump victory. Following the election, interest rates surged as expectations for stronger economic growth and higher inflation took hold.
- For much of the past year, we maintained a duration position close to the duration of the portfolio's performance benchmark. By late October, however, we recognized that the uncertainty related to the election, and the strong likelihood of a Fed rate increase, had created an environment less favorable to this duration position. We strategically shortened portfolio durations in late October, reducing the price sensitivity of portfolios to interest rate changes as shorter durations are better for portfolios in a rising rate environment. Then, in early December, following the dramatic rise in interest rates, we extended durations to be more closely aligned with benchmarks, capturing the higher yields available.
- The difference in yield between Federal agencies and U.S. Treasuries (the spread) continued to narrow, erasing much of the value that was seen off and on throughout the year. In some cases, we found it strategically advantageous to swap out of expensive Federal agency holdings into U.S. Treasuries at similar yields. When buying Federal agency securities, we focused on new issues that came to market with yield concessions that offered good value.
- We generally maintained allocations to the corporate sector as valuations remained fair-to-modestly-expensive amid tight yield spread levels. The corporate sector once again outperformed comparable-maturity Treasuries during the fourth quarter, and finished the year with the best performance compared to Treasuries since 2012.
- We continued to invest in new-issue asset-backed securities ("ABS"), where permitted, as AAA-rated tranches of high-quality structures continued to offer good value, adding to returns and further diversifying portfolios.
- We maintained existing holdings of mortgage-backed securities ("MBS"), where permitted, seeking incremental income and further portfolio diversification. The sharp rise in interest rates during the quarter led to slower MBS prepayments, which caused many pass-through structures to extend and underperform similar duration Treasuries. Our focus remained on structures that were less susceptible to extension risk.
- The well-publicized reforms to the money market fund industry took effect in the fourth quarter. The reforms caused significant changes in the supply/demand dynamic in short-term markets. Nearly $1 trillion in assets shifted from "prime" funds that invest in credit instruments, into government funds, that hold only government securities. The result was increased demand for—and thus lower yields on—short-term government securities and reduced demand for— and thus higher yields on—short-term credit instruments (e.g., commercial paper and bank certificates of deposit). This created excellent investment opportunities in short-term credit instruments.

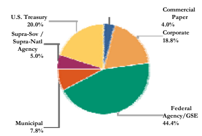
Portfolio Statistics
As of December 31, 2016

Par Value:	38,815,000
Total Market Value:	38,869,351
Security Market Value:	38,748,232
Accrued Interest:	121,119
Cash:	-
PFM	-
Amortized Cost:	38,906,968
Yield at Market:	1.31%
Yield at Cost:	1.12%
Effective Duration:	1.81 Years
Duration to Worst:	1.81 Years
Average Maturity:	1.85 Years
Average Credit: **	AA

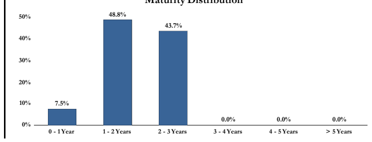
Credit Quality (S&P Ratings)



Sector Allocation



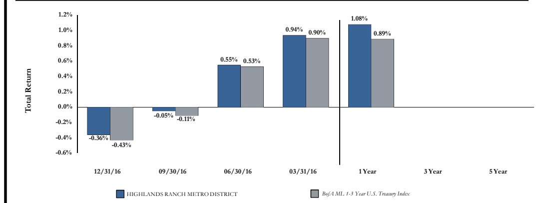
Maturity Distribution



** An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.*

Portfolio Performance (Total Return)

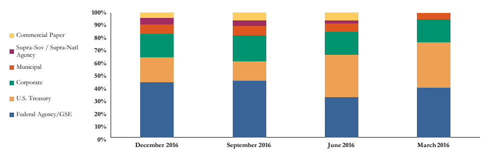
Portfolio/Benchmark	Effective Duration	Quarter Ended 12/31/16	09/30/16	06/30/16	03/31/16	1 Year	Annualized Return 3 Year	5 Year
HIGHLANDS RANCH METRO DISTRICT	1.81	-0.36%	-0.05%	0.55%	0.94%	1.08%	-	-
BofA ML 1-3 Year U.S. Treasury Index	*1.82*	*-0.43%*	*-0.11%*	*0.53%*	*0.90%*	*0.89%*	-	-
Difference		0.07%	0.06%	0.02%	0.04%	0.19%	-	-



Portfolio performance is gross of fees unless otherwise indicated.

Sector Allocation

Sector	December 31, 2016 MV ($MM)	% of Total	September 30, 2016 MV ($MM)	% of Total	June 30, 2016 MV ($MM)	% of Total	March 31, 2016 MV ($MM)	% of Total
Federal Agency/GSE	17.2	44.4%	17.8	45.7%	12.6	32.4%	15.6	40.2%
U.S. Treasury	7.8	20.0%	6.1	15.7%	13.3	34.1%	14.1	36.3%
Corporate	7.3	18.8%	8.1	20.8%	7.2	18.5%	7.2	18.6%
Municipal	3.0	7.8%	3.0	7.8%	2.7	6.8%	1.9	4.9%
Supra-Sov / Supra-Natl Agency	1.9	5.0%	1.6	4.0%	0.9	2.3%	0.0	0.0%
Commercial Paper	1.5	4.0%	2.3	6.0%	2.3	5.9%	0.0	0.0%
Total	**$38.7**	**100.0%**	**$38.9**	**100.0%**	**$39.0**	**100.0%**	**$38.8**	**100.0%**



Detail may not add to total due to rounding.

INVESTMENT STRATEGY OUTLOOK

- Although we enter 2017 with a high degree of political uncertainty, we expect a modest uptick in economic growth in the U.S., a trend toward higher inflation, and a continued, but gradual, upward trajectory of interest rates.
- The most recent Federal Open Market Committee projections indicate three Fed rate hikes in 2017 and another three hikes in 2018. The market is more conservative, expecting only two hikes in 2017.
- Since 2017 began with the highest yields in several years, we plan to initially align portfolio durations with the durations of performance benchmarks.
- Rising interest rates ultimately result in higher earning potential for fixed-income investors but negatively affect the market value of current holdings. During periods of rising rates, our active management approach, which seeks to maximize long-term returns, may result in the realization of short-term losses. This is in contrast to the gains realized over the past several years, which resulted in generally declining rates.
- The difference in yields between U.S. Treasury and Federal agency securities remains narrow. As a result, our strategy will generally favor U.S. Treasuries when selecting securities in the government sector unless specific Federal agency issues offer sufficient incremental value.
- Yield spreads on corporate securities also remain narrow. As a result, identifying incremental return potential in the corporate bond sector requires careful relative value analysis. Improving corporate profits, as well as anticipated pro-business tax reform from the incoming Trump administration—lower taxes and less regulation—should be good for corporate profits, and therefore positive for corporate credit fundamentals.
- We will continue to evaluate opportunities in the MBS and ABS sectors, purchasing those issues we believe are well structured, offer adequate yield spreads, and which have limited duration variability.
- Our strategy continues to favor broad allocation to various credit sectors, including corporate notes, commercial paper, negotiable bank CDs, and asset-backed securities.
- Yields on commercial paper and negotiable CDs continue to offer significant yield pickup relative to short-term government securities.
- We will continue to monitor incoming economic data, Fed policy, and market relationships, adjusting portfolio positioning as needed. This will include monitoring and assessing the policies of the incoming Trump administration for its impact on economic and market conditions.

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District Portfolio Holdings

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2016**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 04/30/2013 0.625% 04/30/2018	912828UZ1	950,000.00	AA+	Aaa	05/28/15	05/29/15	940,796.88	0.96	1,016.92	945,783.17	945,361.15
US TREASURY NOTES DTD 04/30/2013 0.625% 04/30/2018	912828UZ1	1,025,000.00	AA+	Aaa	04/28/15	04/30/15	1,016,751.95	0.90	1,097.20	1,021,320.21	1,019,994.93
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	255,000.00	AA+	Aaa	11/05/15	11/09/15	255,517.97	1.18	280.22	255,326.38	255,368.48
US TREASURY NOTES DTD 12/02/2013 1.250% 11/30/2018	912828A34	1,225,000.00	AA+	Aaa	05/03/16	05/06/16	1,237,919.92	0.83	1,346.15	1,234,645.67	1,226,770.13
US TREASURY NOTES DTD 12/31/2013 1.500% 12/31/2018	912828A75	1,300,000.00	AA+	Aaa	12/01/15	12/04/15	1,311,019.53	1.22	53.87	1,307,210.18	1,307,566.00
US TREASURY NOTES DTD 01/31/2014 1.500% 01/31/2019	912828B33	545,000.00	AA+	Aaa	12/28/15	12/30/15	547,001.18	1.38	3,421.06	546,359.89	547,959.35
US TREASURY NOTES DTD 04/30/2014 1.625% 04/30/2019	912828D23	815,000.00	AA+	Aaa	11/10/16	11/14/16	826,142.58	1.06	2,268.27	825,548.94	821,366.78
US TREASURY NOTES DTD 12/01/2014 1.500% 11/30/2019	912828G61	1,625,000.00	AA+	Aaa	12/01/16	12/05/16	1,627,539.06	1.45	2,142.86	1,627,477.28	1,628,363.75
Security Type Sub-Total		**7,740,000.00**					**7,762,689.07**	**1.13**	**11,626.55**	**7,763,671.72**	**7,752,750.57**
Supra-National Agency Bond / Note											
INTL BANK OF RECON AND DEV SN NOTES DTD 04/19/2016 0.875% 07/19/2018	459058FE8	375,000.00	AAA	Aaa	04/12/16	04/19/16	374,336.25	0.95	1,476.56	374,540.59	372,661.50
AFRICAN DEVELOPMENT BANK NOTE DTD 10/02/2013 1.625% 10/02/2018	00828EBB4	375,000.00	AAA	Aaa	10/31/16	11/03/16	378,588.75	1.12	1,506.51	378,289.54	376,101.00
INTER-AMERICAN DEVELOPMENT BANK DTD 04/12/2016 1.000% 05/13/2019	458182DX7	525,000.00	AAA	Aaa	04/05/16	04/12/16	523,425.00	1.10	700.00	523,788.67	517,652.63
INTL BANK OF RECON AND DEV SN NOTE DTD 07/13/2016 0.875% 08/15/2019	459058FK4	375,000.00	AAA	Aaa	07/06/16	07/13/16	374,921.25	0.88	1,239.58	374,932.57	367,039.88
AFRICAN DEVELOPMENT BANK NOTE DTD 09/20/2016 1.125% 09/20/2019	00828EBQ1	290,000.00	AAA	Aaa	09/14/16	09/20/16	289,692.60	1.16	915.31	289,720.93	285,699.01

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2016**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Supra-National Agency Bond / Note											
Security Type Sub-Total		**1,940,000.00**					**1,940,963.85**	**1.04**	**5,837.96**	**1,941,272.30**	**1,919,154.02**
Municipal Bond / Note											
CT ST TXBL GO BONDS DTD 04/26/2012 1.481% 04/15/2017	20772JEG3	255,000.00	AA-	Aa3	04/06/15	04/09/15	258,105.90	0.87	797.27	255,447.88	255,469.20
MS ST TXBL GO BONDS DTD 02/18/2015 1.090% 10/01/2017	605581EQ6	50,000.00	AA	Aa2	02/04/15	02/18/15	50,000.00	1.09	136.25	50,000.00	49,945.00
CT ST TXBL GO BONDS DTD 03/25/2015 1.422% 03/15/2018	20772JZJ4	205,000.00	AA-	Aa3	03/13/15	03/25/15	205,000.00	1.42	858.34	205,000.00	205,498.15
REGIONAL TRANS AUTH, IL TXBL REV BONDS DTD 05/04/2016 1.250% 05/04/2018	7599112M1	750,000.00	AA	Aa3	04/26/16	05/04/16	750,000.00	1.25	2,343.75	750,000.00	747,270.00
NYC, NY TXBL GO BONDS DTD 08/03/2005 4.800% 08/01/2018	64966E3R6	575,000.00	AA	Aa2	07/24/15	07/29/15	630,378.25	1.51	11,500.00	604,480.88	605,084.00
FL ST BOARD ADMIN FIN CORP TXBL REV BD DTD 03/08/2016 2.163% 07/01/2019	341271AA2	750,000.00	AA	Aa3	02/23/16	03/08/16	750,000.00	2.16	8,111.25	750,000.00	756,067.50
CT ST TXBL GO BONDS DTD 08/17/2016 1.300% 08/15/2019	20772J3D2	410,000.00	AA-	Aa3	08/03/16	08/17/16	410,885.60	1.23	1,983.94	410,777.13	402,804.50
Security Type Sub-Total		**2,995,000.00**					**3,054,369.75**	**1.50**	**25,730.80**	**3,025,705.89**	**3,022,138.35**
FEDERAL FARM CREDIT BANK (CALLABLE) DTD 01/30/2013 0.940% 01/30/2018	3133ECE26	975,000.00	AA+	Aaa	03/15/13	03/18/13	971,314.50	1.02	3,844.21	974,166.52	971,334.98
FHLB NOTES DTD 02/18/2016 0.875% 03/19/2018	3130A7CX1	750,000.00	AA+	Aaa	05/26/16	05/31/16	749,520.00	0.91	1,859.38	749,675.99	748,790.25
FNMA NOTE DTD 03/04/2016 0.875% 03/28/2018	3135G0J61	950,000.00	AA+	Aaa	03/02/16	03/04/16	948,100.00	0.97	2,147.40	948,853.47	948,094.30

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2016**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FEDERAL FARM CREDIT BANK (CALLABLE) DTD 04/24/2013 0.980% 04/24/2018	3133ECMF8	1,500,000.00	AA+	Aaa	04/23/13	04/24/13	1,498,500.00	1.00	2,735.83	1,499,598.65	1,497,856.50
FEDERAL HOME LOAN BANKS AGCY DTD 05/27/2016 0.875% 06/29/2018	3130A8BD4	1,195,000.00	AA+	Aaa	05/26/16	05/27/16	1,192,120.05	0.99	58.09	1,192,932.22	1,190,844.99
FHLB NOTES DTD 07/08/2016 0.625% 08/07/2018	3130A8PK3	275,000.00	AA+	Aaa	08/10/16	08/12/16	274,015.50	0.81	687.50	274,205.77	272,814.30
FHLB NOTES DTD 07/08/2016 0.625% 08/07/2018	3130A8PK3	1,625,000.00	AA+	Aaa	07/07/16	07/08/16	1,621,620.00	0.73	4,062.50	1,622,395.45	1,612,084.50
FHLB GLOBAL NOTE DTD 08/26/2016 0.875% 10/01/2018	3130A9AE1	1,525,000.00	AA+	Aaa	08/25/16	08/26/16	1,523,963.00	0.91	3,335.94	1,524,131.50	1,516,607.93
FHLMC REFERENCE NOTE DTD 09/16/2016 0.875% 10/12/2018	3137EAED7	325,000.00	AA+	Aaa	09/15/16	09/16/16	324,860.25	0.90	829.43	324,879.98	323,233.63
FHLB NOTES DTD 12/08/2016 1.250% 01/16/2019	3130AAE46	750,000.00	AA+	Aaa	12/07/16	12/08/16	749,970.00	1.25	598.96	749,970.00	749,738.25
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	950,000.00	AA+	Aaa	02/19/16	02/23/16	947,758.00	1.08	3,298.61	948,388.30	944,093.85
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	950,000.00	AA+	Aaa	08/05/16	08/08/16	952,403.50	0.90	3,298.61	952,033.29	944,093.85
FREDDIE MAC NOTES DTD 03/21/2016 1.125% 04/15/2019	3137EADZ9	800,000.00	AA+	Aaa	08/12/16	08/15/16	804,944.00	0.89	1,900.00	804,252.11	796,762.40
FHLB GLOBAL NOTE DTD 06/03/2016 1.125% 06/21/2019	3130A8DB6	775,000.00	AA+	Aaa	06/02/16	06/03/16	774,674.50	1.14	242.19	774,734.40	770,588.70
FHLMC REFERENCE NOTE DTD 07/20/2016 0.875% 07/19/2019	3137EAEB1	950,000.00	AA+	Aaa	07/19/16	07/20/16	947,701.00	0.96	3,717.53	948,039.91	937,451.45
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	525,000.00	AA+	Aaa	07/29/16	08/02/16	524,118.00	0.93	1,901.30	524,238.27	517,707.23
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	1,000,000.00	AA+	Aaa	10/03/16	10/05/16	999,400.00	1.02	3,305.56	999,449.69	988,891.00

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2016**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FNMA NOTES DTD 09/02/2016 1.000% 08/28/2019	3135G0P49	1,500,000.00	AA+	Aaa	08/31/16	09/02/16	1,497,660.00	1.05	4,958.33	1,497,915.17	1,483,336.50
Security Type Sub-Total		**17,320,000.00**					**17,302,642.30**	**0.97**	**42,781.37**	**17,309,860.69**	**17,214,324.61**
COCA-COLA CO NOTES DTD 10/27/2015 0.875% 10/27/2017	191216BR0	275,000.00	AA-	Aa3	10/22/15	10/27/15	274,879.00	0.90	427.78	274,950.01	274,479.98
GENERAL ELECTRIC CO NOTES DTD 12/06/2007 5.250% 12/06/2017	369604BC6	750,000.00	AA-	A1	12/01/14	12/08/14	835,792.50	1.34	2,734.38	777,023.74	776,951.25
TOYOTA MOTOR CREDIT CORP NOTE DTD 01/12/2015 1.450% 01/12/2018	89236TCA1	250,000.00	AA-	Aa3	01/07/15	01/12/15	249,657.50	1.50	1,701.74	249,880.63	250,072.50
WAL MART STORES INC. CORP NOTES DTD 08/24/2007 5.800% 02/15/2018	931142CJ0	375,000.00	AA	Aa2	06/09/15	06/12/15	419,205.00	1.30	8,216.67	393,730.31	393,287.63
EXXON MOBIL CORP NOTES DTD 03/06/2015 1.305% 03/06/2018	30231GAL6	750,000.00	AA+	Aaa	03/04/15	03/06/15	750,000.00	1.31	3,126.56	750,000.00	749,822.25
3M COMPANY CORP NOTE DTD 08/07/2015 1.375% 08/07/2018	88579YAP6	505,000.00	AA-	A1	08/04/15	08/07/15	504,101.10	1.44	2,777.50	504,515.87	504,827.80
BERKSHIRE HATHAWAY INC GLOBAL NOTES DTD 08/15/2016 1.150% 08/15/2018	084670BX5	180,000.00	AA	Aa2	08/08/16	08/15/16	179,978.40	1.16	782.00	179,982.45	179,096.58
MICROSOFT CORP NOTES DTD 11/03/2015 1.300% 11/03/2018	594918BF0	700,000.00	AAA	Aaa	10/29/15	11/03/15	699,300.00	1.33	1,466.11	699,567.70	699,440.70
IBM CORP NOTE DTD 02/12/2014 1.950% 02/12/2019	459200HT1	750,000.00	AA-	Aa3	02/17/16	02/19/16	758,595.00	1.56	5,646.88	756,136.37	754,602.00
JOHNSON & JOHNSON CORP NOTES DTD 03/01/2016 1.125% 03/01/2019	478160BR4	210,000.00	AAA	Aaa	02/26/16	03/01/16	209,974.80	1.13	787.50	209,981.72	208,314.54
BERKSHIRE HATHAWAY INC NOTES DTD 03/15/2016 1.700% 03/15/2019	084664CG4	110,000.00	AA	Aa2	03/08/16	03/15/16	109,916.40	1.73	550.61	109,938.13	109,902.54
CHEVRON CORP NOTES DTD 05/16/2016 1.561% 05/16/2019	166764BH2	750,000.00	AA-	Aa2	05/09/16	05/16/16	750,000.00	1.56	1,463.44	750,000.00	746,919.75

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2016**

HIGHLANDS RANCH METRO DISTRICT

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
COCA-COLA COMPANY CORP NOTES DTD 05/31/2016 1.375% 05/30/2019	191216BV1	400,000.00	AA-	Aa3	05/25/16	05/31/16	399,720.00	1.40	473.61	399,773.81	397,342.00
APPLE INC CORP NOTES DTD 08/04/2016 1.100% 08/02/2019	037833CB4	750,000.00	AA+	Aa1	07/28/16	08/04/16	749,250.00	1.13	3,368.75	749,350.85	738,795.00
TOYOTA MOTOR CORP NOTES DTD 10/18/2016 1.550% 10/18/2019	89236TDH5	515,000.00	AA-	Aa3	10/13/16	10/18/16	514,742.50	1.57	1,618.67	514,759.57	508,766.44
Security Type Sub-Total		**7,270,000.00**					**7,405,112.20**	**1.37**	**35,142.20**	**7,319,591.16**	**7,292,620.96**
Commercial Paper											
BNP PARIBAS NY BRANCH COMM PAPER -- 0.000% 03/13/2017	09659BQD5	775,000.00	A-1	P-1	06/16/16	06/17/16	768,919.48	1.06	0.00	773,395.11	773,547.65
JP MORGAN SECURITIES LLC COMM PAPER -- 0.000% 03/13/2017	46640PQD8	775,000.00	A-1	P-1	06/16/16	06/16/16	769,187.50	1.01	0.00	773,471.53	773,695.68
Security Type Sub-Total		**1,550,000.00**					**1,538,106.98**	**1.03**	**0.00**	**1,546,866.64**	**1,547,243.33**
Managed Account Sub-Total		**38,815,000.00**					**39,003,884.15**	**1.12**	**121,118.88**	**38,906,968.40**	**38,748,231.84**
Securities Sub-Total		**$38,815,000.00**					**$39,003,884.15**	**1.12%**	**$121,118.88**	**$38,906,968.40**	**$38,748,231.84**
Accrued Interest											**$121,118.88**
Total Investments											**$38,869,350.72**

Important Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values which include accrued interest, are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data, Bloomberg or Telerate. Where prices are not available from generally recognized sources the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount, expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually $1 million or more that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

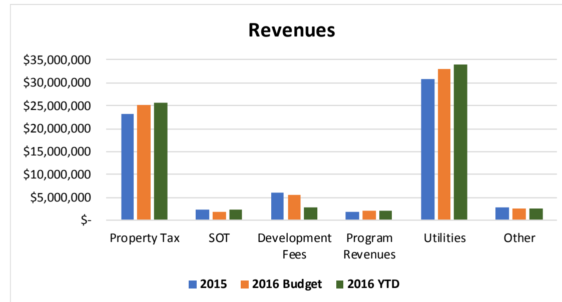
Glossary

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction occurs on a non-business day (i.e. coupon payments and maturity proceeds), the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred however the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed however the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return, based on the original cost, the annual interest receipts, maturity value and the time period from purchase date to maturity, stated as a percentage, on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return, based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.

Financial Report as of December 31, 2016

February 22, 2017

2016 Revenues - Unaudited



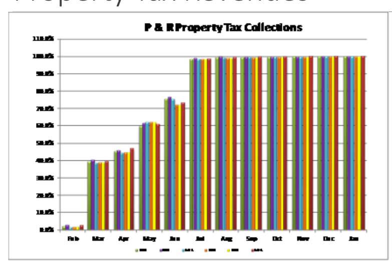
Total Revenues $69.7 M, 99% of budgeted revenues $70.3M

Revenues

	2014	2015	2016 Budget	2016 YTD
Property Tax (net of fees)	$ 22,898,399	$ 23,271,840	$ 25,184,781	$ 25,624,593
Specific Ownership	2,116,761	2,283,942	1,890,000	2,372,968
System Development Fees	2,620,591	3,019,829	2,738,800	1,420,565
Tap Fees	3,068,780	3,095,135	2,676,980	1,470,610
Program Based Revenues				
Recreation Revenue	1,406,238	1,305,065	1,632,000	1,486,038
Mansion Revenue	413,701	580,559	543,260	570,018
Water & Wastewater	27,451,048	28,789,563	31,000,000	31,927,850
Stormwater	725,968	734,611	735,000	740,973
Streetlight	1,163,641	1,355,021	1,386,000	1,441,425
Conservation Trust Fund	458,543	468,436	450,000	553,043
Contributed Capital	81,159	140,000	384,000	50,380
Other	759,391	1,118,143	623,350	933,894
Intragovernmental	626,666	771,518	665,970	614,905
Interest Income	351,194	285,670	343,300	465,362
TOTAL	64,142,080	67,219,332	70,253,441	69,672,621

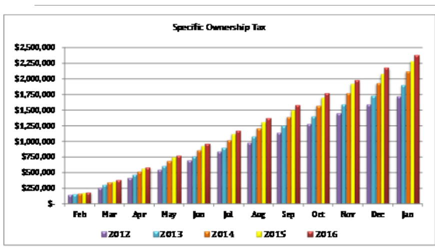
- Program based revenues
  - Mansion –
    - ✓ Liquor sales exceeded conservative budget
  - Recreation 91.1% of Budget
    - ✓ Youth Programs under $155k
    - ✓ Adult Programs under $32k
- Conservation Trust
  - Lottery Proceeds $553k
  - 5 year average proceeds $465k
- Other
  - Cell Site leases, insurance proceeds, grants

Property Tax Revenues



Total collections
- 100.6% of budget
- 99.25% of total possible

Specific Ownership Tax



2016

Budget - $1,890,000

YTD Actual - $2,373,000

Projection - $2,300,000

2017

Budget $2,000,000

General Fund -Expenditures by Object

	2015 ACTUAL	2016 BUDGET	2016 REVISED	2016 Projected	Under / (Over) Revised	
BOARD DIRECTED BUDGET						
Personal Services	$ 5,725,555	$ 6,117,715	$ 5,995,160	$ 5,860,893	$ 134,267	2.2%
Contracted Services	7,880,438	8,812,299	8,812,299	8,610,122	202,177	2.3%
Miscellaneous Capital	293,958	-	-	-	-	
Total Board Directed Cost	13,899,951	14,930,014	14,807,459	14,471,015	336,444	2.3%
DEPT. DIRECTED NONVARIABLE						
Materials and Supplies	742,613	826,180	826,180	646,161	180,019	21.8%
Purchased Services	901,464	1,194,444	1,226,204	986,138	240,066	19.6%
Contracted Services	767,186	867,943	901,493	798,786	102,707	11.4%
Total Dept Dir Nonvariable	2,411,263	2,888,567	2,953,877	2,431,085	522,792	17.7%
DEPT DIRECTED VARIABLE						
Fuel and Chemical Services	125,275	206,000	176,000	130,147	45,853	26.1%
Utilities	1,285,597	1,374,515	1,375,815	1,514,891	(139,076)	-10.1%
Total Dept dir variable	1,410,872	1,580,515	1,551,815	1,645,038	(93,223)	-6.0%
TOTAL DEPARTMENTS	$ 17,722,086	$ 19,399,096	$ 19,313,151	$ 18,547,138	$ 766,013	4.0%

Fire Contract Under still waiting final 2016 adjustment

Miscellaneous Outside Services Under budget (Community Relations)

Water significantly over budget $156K

Recreation & Park Services

	Actual 2015	Budget 2016	Projected 2016	2017 Budget
REVENUES				
Revenues				
Reservations	$ 396,677	$ 351,160	$ 364,931	$ 392,100
Internal Field Reservations	229,813	198,840	197,538	180,138
Programs	927,566	1,054,000	858,678	972,596
Other				
Recreation / Park Services	5,832	28,000	34,096	24,950
Senior Services			30,795	30,700
Net Investment Income				
	1,559,887	1,632,000	1,486,038	1,600,484
EXPENDITURES				
Operations Budget				
Recreation Programs	1,113,130	1,210,703	1,067,095	1,180,122
Park Services	669,383	750,494	666,448	794,633
Senior Services			72,463	79,900
	1,782,512	1,961,197	1,806,006	2,054,654
Revenue over (under) expenditures	(222,625)	(329,197)	(319,968)	(454,170)
OTHER FINANCING SOURCES (USES)				
Operating transfers				
Net investment income			-	
General - Recreation/Park Services	222,625	339,079	329,850	454,170
Gen Gov Capital - Recreation		(9,882)	(9,882)	-
Major Repair - Recreation		-	-	
Mansion - Recreation				
Lease proceeds		-	-	-
	222,625	329,197	319,968	454,170
REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	$ -	$ -	$ -	$ -

Lower than budgeted revenue is offset by lower than budgeted expenditures

Adopted 2016 Budget included Senior Services in Operations transferred mid-year to Recreation

General Fund Support increase from 2015 of $107,225 (48%)

Recreation/Park Services/Senior Support

General Fund Transfer History

	2010	2011	2012	2013	2014	2015	2016 Prelim	2017 Bud
Revenue	$ 1,503,971	$ 1,482,856	$ 1,418,900	$ 1,394,317	$ 1,625,097	$ 1,559,887	$ 1,486,038	$ 1,600,484
Expenses	1,718,387	1,636,936	1,525,985	1,576,533	1,764,982	1,782,512	1,815,888	2,054,654
Net	$ (214,416)	$ (154,080)	$ (107,085)	$ (182,216)	$ (139,885)	$ (222,625)	$ (329,850)	$ (454,170)

Breakdown of Transfer

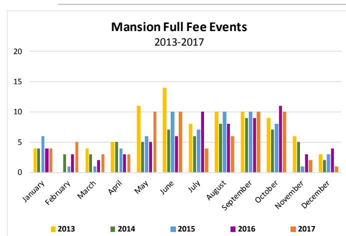
	Actual 2015	Budget 2016	Projected 2016	2017 Proposed
General Fund Transfers				
Recreation/Park Services	$ 222,625	$ 339,079	$ 288,182	$ 404,970
Senior Services			41,668	49,200
TOTAL	$ 222,625	$ 339,079	$ 329,850	$ 454,170

Mansion – Fund Sheet

	Actual 2015	Budget 2016	Projected 2016	2017 Budget
REVENUES				
Revenues				
Reservations	$ 371,418	$ 342,500	$ 363,792	$ 335,600
Programs	27,192	35,000	19,458	-
Other	181,949	165,760	186,767	165,490
Other - Insurance Proceeds			34,836	
Net Investment Income	24,073	41,700	23,616	43,100
	604,632	584,960	628,469	544,190
EXPENDITURES				
Operations Budget	452,034	473,250	387,092	458,635
Cost of sales	37,704	40,000	41,531	42,000
Use of reserve		11,680	52,302	8,500
Budget Request: one-time				12,000
Budget Request: ongoing				25,300
	489,738	524,930	480,925	546,435
Revenue over (under) expenditures	114,894	60,030	147,544	(2,245)
OTHER FINANCING SOURCES (USES)				
Operating transfers				
Net investment income				
General - Mansion	(13,200)	(12,800)	(40,300)	(43,800)
	(13,200)	(12,800)	(40,300)	(43,800)
REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	101,694	47,230	107,244	(46,045)
FUND BALANCE - BEGINNING	4,098,632	4,169,105	4,200,326	4,307,570
FUND BALANCE - ENDING	$ 4,200,326	$ 4,216,335	$ 4,307,570	$ 4,261,525

- Revenue
  - ✓ Projected 2016 revenue from reservations $372,000 ($29,500 more than budgeted)
  - ✓ Projected program revenue under budget as is related direct program expenses
- Expenses under revised budget
  - ✓ Use of Reserves under $22,700
  - ✓ Operating expenses under $8,000
  - ✓ Utility expenses under $10,000

Mansion Event Count



EVENT TALLY			
	Full Fee	**Community, Discounted & Free**	**Total**
2013	82	51	133
2014	64	50	114
2015	67	47	114
2016	68	29	97
2017	68	21	89

Community Events included above:

Mother's Day Brunch

HRCA events

Valentines Day