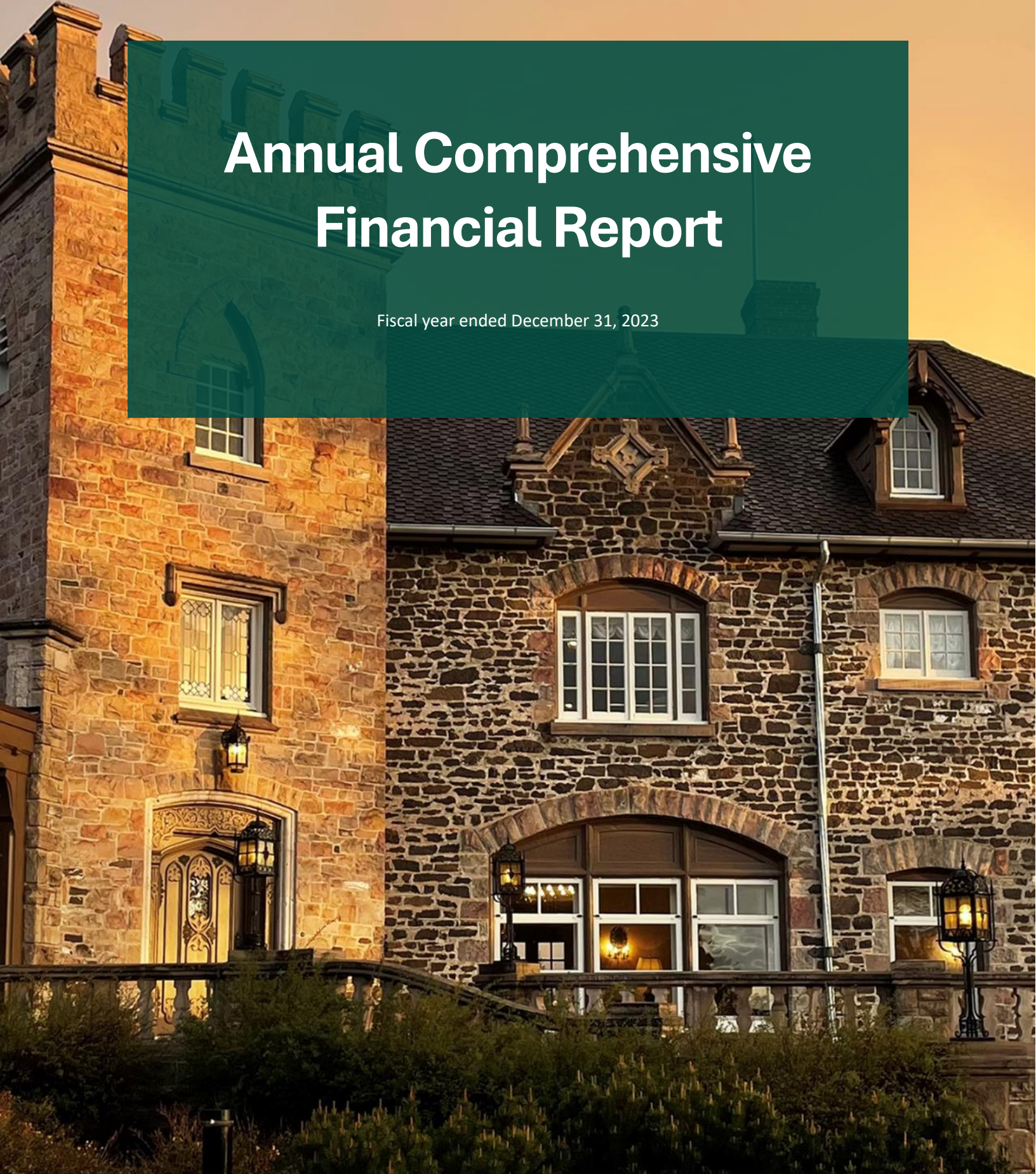


# Annual Comprehensive Financial Report

Fiscal year ended December 31, 2023





**Annual Comprehensive**

# **Financial Report**

Highlands Ranch Metropolitan District – Year Ended December 31, 2023

Prepared by

**Department of Finance and Administration**

# Table of Contents

## Introductory Section

Letter of Transmittal.....	i
Organization Chart.....	vii
Board of Directors and District Appointed Officials.....	ix

## Financial Section

Independent Auditor’s Report.....	I
Management’s Discussion and Analysis.....	IV

### Basic Financial Statements

Statement of Net Position.....	1
Statement of Activities.....	2

### Fund Financial Statements

Balance Sheet.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	5
Notes to Financial Statements.....	6-23

## Other Information

### Required Supplementary Information

Budgetary Comparison Schedules – Major Funds.....	25
---	----

### Supplementary Information

Combining and Individual Fund Statements and Schedules.....	29
Budgetary Comparison Schedules.....	31

Statistical Section.....	36-50
--------------------------	-------

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	51
Schedule of Findings and Responses.....	53-56

A large sign for Highlands Ranch. The sign features a brick pillar on the left, a red curved top, and the word "HIGHLANDS" in white block letters. To the right of the text is a white eagle sculpture with its wings spread. The background is a clear blue sky.

HIGHLANDS

RANCH

# Introduction



# Letter of Transmittal



August 21st, 2024

To: The citizens of Highlands Ranch Metropolitan District  
The Board of Directors

We are pleased to present the annual comprehensive financial report ("ACFR") of Highlands Ranch Metropolitan District ("District" or "HRMD") for the year ended December 31, 2023.

State law requires that, within seven months of the fiscal year end, the District publish a complete set of audited financial statements audited by a firm of licensed certified public accountants. This annual report includes a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, the District hereby issues the annual report of the Highlands Ranch Metropolitan District for the fiscal year ended December 31, 2023. Disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

District management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon a comprehensive framework of internal control that was established for this purpose. The report consists of management's representations concerning the finances of the District. Because the cost of internal control should not exceed anticipated benefits the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

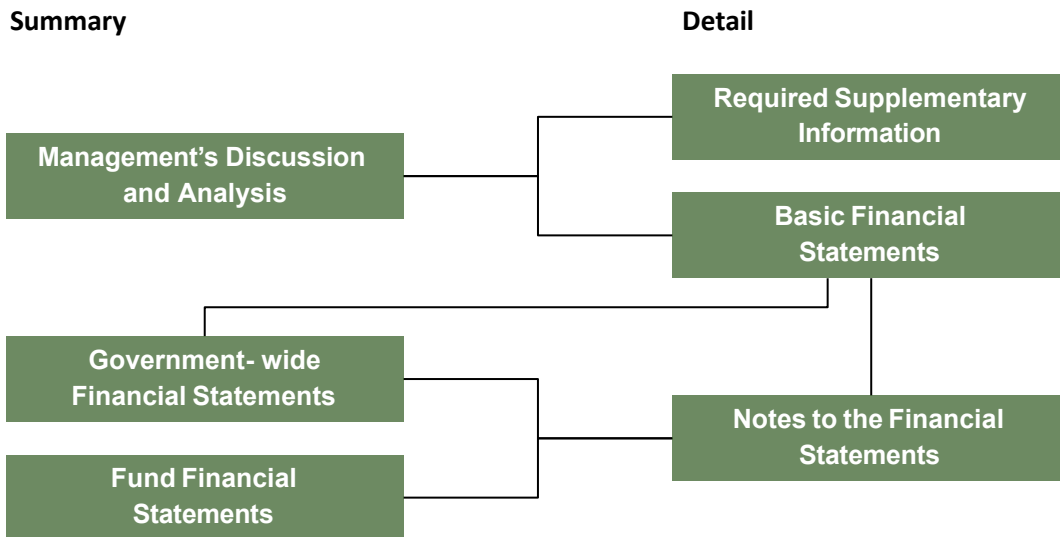
The financial statements have been audited by Forvis Mazars, LLP ("Forvis Mazars"), a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Forvis Mazars has issued unmodified opinions that the District's financial statements for the year ended December 31, 2023, are presented fairly and in conformity with GAAP. The independent auditor's report is located at the front of the financial section of the report. Forvis Mazars is in the first year of performing the audit of the district for a one-year contract term. The Board reviews proposals from accounting firms every five years although there is no mandatory rotation.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## The Report

The Annual Comprehensive Financial Report is presented in three sections:

- The Introduction section includes this letter of transmittal, Board of Director introductions, and the District’s organization chart.
- The Financial section includes the report of the independent auditors, Management’s Discussion and Analysis (MD&A), the basic financial statements, including the government-wide financial statements comprised of the Statement of Net Position and the Statement of Activities and the accompanying notes to the financial statements. The Financial Section also includes the fund financial statements including the governmental funds financial statements, and the combining individual funds financial statements for the nonmajor governmental funds. Required supplementary information other than the MD&A is also included in the financial section.
- The Statistical section includes selected financial and demographic information, on a multi-year basis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with the MD&A.



## Profile, Responsibilities, and Structure of the District

The District serves Highlands Ranch, a master planned community located in the northern part of Douglas County, Colorado approximately 12 miles south of Denver. The Highlands Ranch area contains zoning for approximately 29,390 single family homes, 8,410 multi-family units and over 1,100 acres of developed commercial property.

The District provides a range of municipal type services including installation and maintenance of parkway landscaping adjacent to arterial roadways, installation of storm drainage facilities, construction and maintenance of parks and trails, maintenance and operation of the historic mansion, outdoor recreation, and maintenance of open space.

In addition to the municipal type services provided by the District, the community is provided water and wastewater service through an intergovernmental agreement with Centennial Water and Sanitation

District (Centennial or CWSD). Both districts are organized as political subdivisions of the State of Colorado and as quasi-municipal corporations created pursuant to Title 32, Colorado Revised Statutes, as amended.

The District operates under a Board - General Manager form of government. Policy-making and legislative authority are vested in the Board of Directors. Pursuant to Colorado statutes, the board of directors is responsible, among other things, for passing resolutions, adopting the budget, appointing committees and hiring the general manager and the attorney. The Board of Directors appropriates funds annually for the following funds: General (Operations), Utility, Recreation, Mansion, Major Repair, and Water & Wastewater Reserve.

The Board of Directors is comprised of seven members from specific regions. The seven members of the Board serve four-year terms and have staggered terms with either three or four Board members elected every two years in May of odd numbered years.

The District General Manager is responsible for carrying out the policies and resolutions of the governing Board of Directors, for overseeing the day-to-day operations of the District, and directly manages five non-statutory departments, headed by appointed department heads: Parks and Open Space, Recreation and Cultural Programs, Public Works, Human Resources, and Finance and Administration.

The financial reporting entity for the Annual Comprehensive Financial Report is Highlands Ranch Metropolitan District as legally defined.

In addition to the accounting internal control structure, the District maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the budget and related appropriations approved by the District's Board of Directors.

## **Factors Affecting Financial Condition**

### **2023 Tornado**

In June 2023, a tornado hit the district, a disaster was declared, and emergency services and repairs were needed. This included damage to landscapes, trees, parkway fencing, and property. Coordinating with Douglas County, the District set up debris drop off locations and began making emergency repairs to District assets utilizing the existing fund balance in the Major Repair Fund to pay for damages.

The District has applied for emergency funding from FEMA and expects to receive reimbursement in 2024.

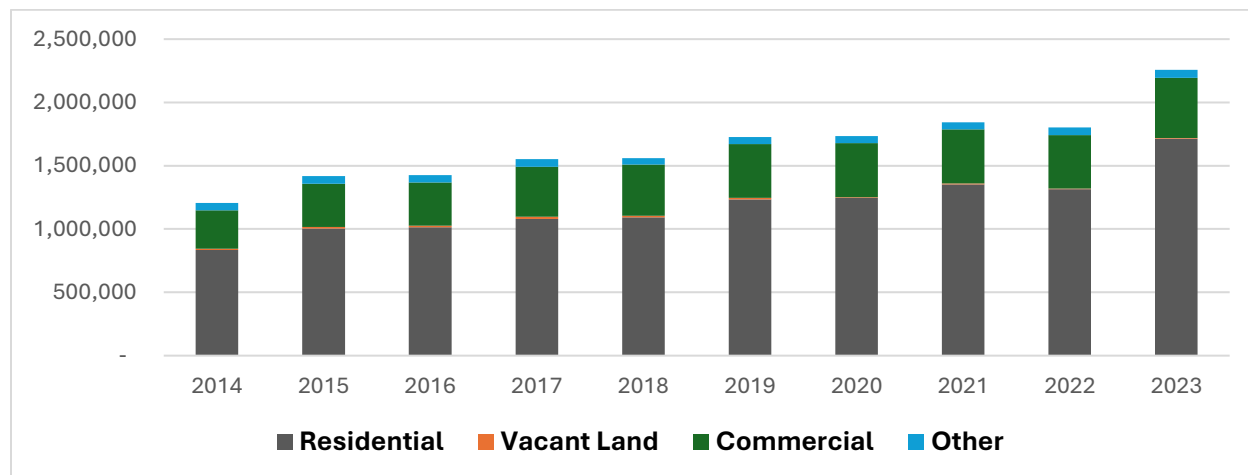
### **Revenue Base**

The District has three primary revenue sources for funding:

- General operation and maintenance expenses and debt service are primarily funded from property and specific ownership taxes.
- Capital projects are primarily funded from development fees, and Colorado Lottery proceeds.
- Special revenues, derived from fees, fund recreation services, stormwater management, streetlight management, Mansion rentals, and water and wastewater operations.

The District has historically benefited from strong growth. However, as the community matures, the District relies more on the stable property tax base supplemented by continued growth potential for the remaining housing development and opportunities for commercial and retail growth.

The property tax reassessment, completed in 2021 by the Douglas County assessor, was the basis for property tax revenue collections in 2022 and 2023. The 2021 property tax reassessment resulted in a 7.8% increase in assessed value. However, the collection in 2023 decreased slightly from 2022 due to a state legislative change that lowered the residential assessment rate. The graph below shows the history of assessed value by property type for Highlands Ranch:



### Long-term Financial Planning and Fund Balance

The Board annually reviews the strategic plan for the District. This includes a detailed Operations Plan as well as a Capital Improvement Plan.

A key component in meeting the objective of the strategic plan is for the Board to adopt policies related to the maintenance of year-end fund balances. Prior to 2016, this driving factor in the long-range plan, which was set by the Board, was for the District to be in a financial position to retire all outstanding debt obligations by 2018 if other viable uses for capital improvements were not identified. In 2017 the Board identified viable capital projects that would improve service levels and decided to refund a portion of the outstanding debt to accommodate funding of these initiatives. However, in 2021 the Board determined the District was in sufficient financial health to retire the remaining outstanding debt, which occurred in December 2021. The maintenance of the various fund balances will allow flexibility as we continue to traverse uneven financial times.

**General Fund:** The District has established a goal of maintaining a fund balance of 40% of the following year’s net expenditures – operating expenditures minus the offsetting revenues related to an intergovernmental agreement (IGA) with Centennial wherein the cost of shared employees is reimbursed. The 2023 year-end fund balance continues significantly over the target of 40% at approximately 130% of the 2024 budgeted operating expenditures, down from 153% in 2022. The primary reason for the decrease is a transfer of \$7.2 million to the capital projects fund for the cash funding of projects identified in the capital improvement plan. Future model projections are based on the anticipation that fund balance will be drawn down through 2027 until reaching 40%.



**Debt Service Fund:** With the retirement of all outstanding debt in 2021, the District no longer maintains a debt service fund.

### Capital Improvement Planning

The District prepares a comprehensive Capital Improvement Plan detailing the infrastructure necessary to provide the basic services at build-out of the community as well as other capital projects that enhance the community. The plan is reviewed and updated annually. The latest version includes five sections:

- the Facility Plan which identifies the base community improvements that are the basis for the calculation of the Systems Development Fee. All funds received from Systems Development Fees are initially deposited and maintained in the Capital Projects Fund until such time as they are needed, at the Board's discretion, for Capital Projects identified in the District's Facility Plan.
- the long-term Conservation Trust Fund plan which identifies the anticipated projects to be built using proceeds from the Colorado Lottery.
- the stormwater master capital plan which identifies the anticipated needs over the next thirty years.
- other visionary major capital facilities that will require additional funding sources.
- a prospective look at major repairs and renovation that will be required as part of the District's asset management program.

### Pension Benefits

The District does not participate in Social Security but does maintain a defined contribution pension plan. All regular District employees are required to participate in the Plan and are eligible on their date of hire. Eligible employees are required to contribute 6.2% of pay, which is matched by the District. The contribution level was established equivalent to the Social Security requirements and, commencing in 2011, the total contributions are capped at the same maximum as established for Social Security contributions. In addition, the District offers all regular employees the option to contribute to a 457 plan. The District matches employee contributions to the 457 plan up to a maximum of 6%.

### Major Initiatives

During the 2016 Board retreat, the Board identified several priorities including the expansion of existing Senior programs and services offered.

Maintenance projects that include parkway fence repair and replacement and stormwater system improvements continue as part of our overall asset management program.

The Board maintains a long-term financial focus to position the District to make funding available for both the capital and ongoing operational expenses for the priorities below:

- partnership with Douglas County and other government entities to pursue initiatives to benefit Highlands Ranch such as recreation opportunities, senior services, and transportation improvements.
- conveyance of Historic Park including outbuildings and open space land.

## Awards and Acknowledgements

### **Certificate of Achievement for Excellence in Financial Reporting**

As the district was short staffed in 2022 the audit took longer than normal, and staff missed the window to submit to the Government Finance Officers Association of the United States and Canada (GFOA) for the Certificate of Achievement for Excellence in Financial Reporting. However, one or more of the pre-consolidated Highlands Ranch Metropolitan Districts has received the Certificate of Achievement for twenty-three consecutive years prior to 2021. Although, the District's critical vacancies were filled in mid to late 2023 and the District will be submitting the 2023 ACFR for GFOA Certificate of Achievement consideration.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements.

### **Distinguished Budget Presentation Award**

The GFOA presented a Distinguished Budget Presentation Award to the District for its annual budget for the fiscal year beginning January 1, 2024. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only.

The Distinguished Budget Presentation Awards Program is specifically designed to encourage state and local governments to prepare and issue budget documents of the highest quality. Top-quality documents are essential if citizens and others with an interest in a government's finances are to be fully informed participants in the budget process. Better budget documents contribute to better decision making and enhanced accountability.

The Distinguished Budget Presentation Awards Program allows the public finance profession a welcome opportunity to recognize those governments that have, in fact, succeeded in preparing a high-quality budget document.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Directors for their interest, support and responsiveness in planning and conducting the operations of the District.

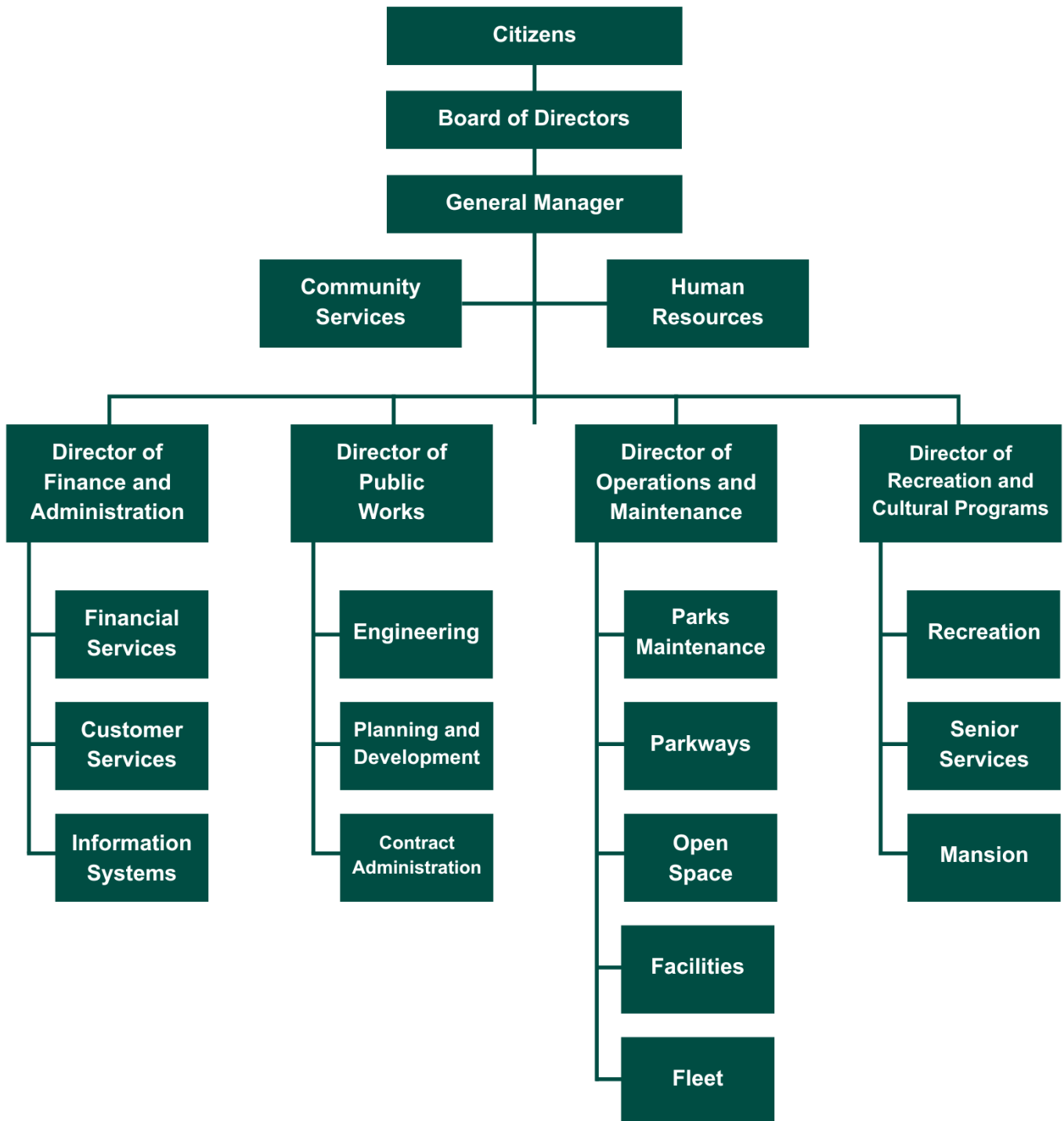
Respectfully submitted,



Zach Cartaya

Director of Finance and Administration

# Organization Chart



# Board of Directors and District Appointed Officials

2023-2024



**Renee Anderson**  
Chair  
May 2023 - May 2027



**Mark Dickerson**  
Vice Chair  
May 2023 - May 2025



**David Simonson**  
Treasurer  
May 2022 - May 2025



**Andy Jones**  
Director  
May 2023 - May 2027



**Nancy Smith**  
Director  
May 2023 - May 2027



**Carolyn Schierholz**  
Director  
May 2022 - May 2025



**Eric Rysner**  
Director  
May 2022 - May 2025

Stephanie Stanley	General Manager
Zach Cartaya	Director of Finance and Administration
Kristi Robinson	Director of Human Resources
Ken Standen	Director of Operations and Maintenance
Ryan Edwards	Director of Public Works
Neil Alderson	Director of Recreation and Cultural Programs



# Independent Auditor's Report



## **Independent Auditor's Report**

Board of Directors  
Highlands Ranch Metropolitan District  
Highlands Ranch, Colorado

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Highlands Ranch Metropolitan District (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, each major fund, and the aggregate remaining fund information of the District as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

#### ***Emphasis of Matter***

The 2022 financial statements, before they were restated for the matters discussed in Note III.I, were audited by other auditors, and their report thereon, dated September 26, 2023, expressed unmodified opinions on the governmental activities and major funds. Our opinions are not modified with respect to this matter.

#### ***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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules 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 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Forvis Mazars, LLP***

**Denver, Colorado  
August 21, 2024**



A large, reddish-brown sign with the word "HIGHLANDS" in white, bold, sans-serif capital letters. To the right of the sign is a white silhouette of a bird with its wings spread. The sign is set against a clear blue sky. In the foreground, there are yellow flowers, likely sunflowers, which are slightly out of focus.

HIGHLANDS

RANCH

# Management Discussion and Analysis

# Management’s Discussion and Analysis

As management of the Highlands Ranch Metropolitan District, we are pleased to provide a discussion and analysis of the District’s 2023 financial statements. This narrative overview provides a more detailed and insightful examination of the financial condition and operating results for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information in our letter of transmittal, which can be found on pages i to vi of this report.

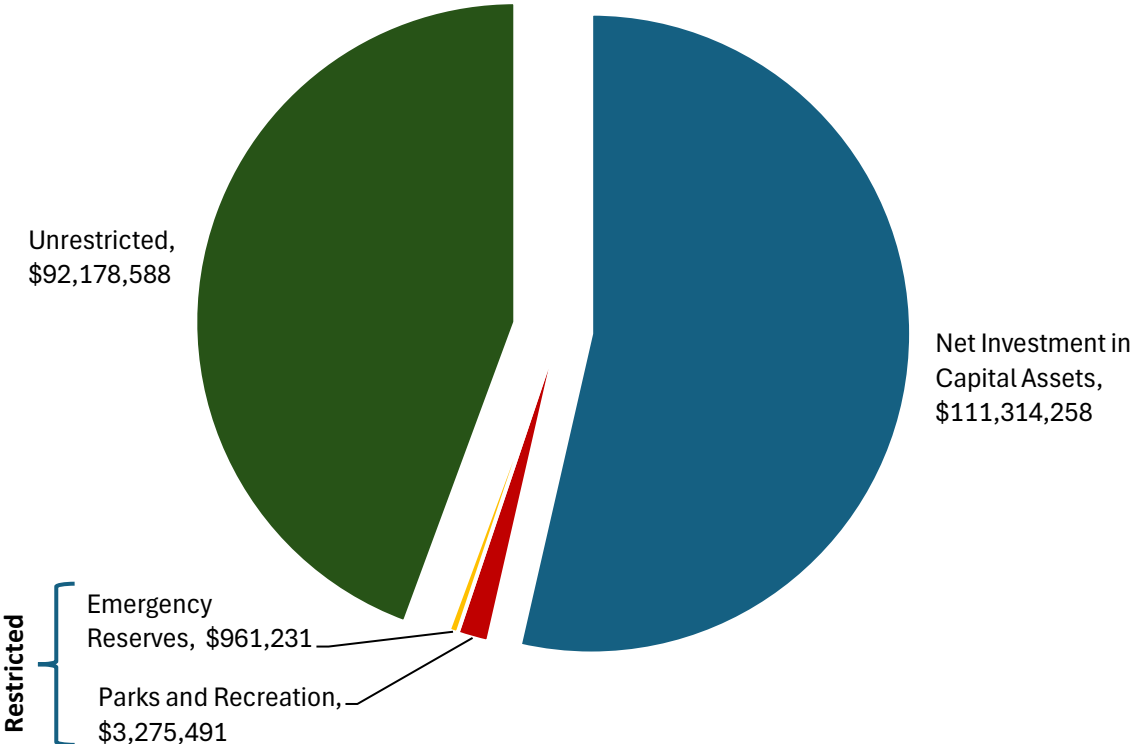
The Management Discussion and Analysis (MD&A) focuses on the presentation of the financial statements and the related activities in two distinct ways:

- 1. The review of government-wide financials reflects the overall assets and activity of the government including the District’s capital assets and long-term debt obligations.
- 2. The more traditional view of governmental funds has been established to account for specific activities of the District.

## Financial Highlights

### Net Position

The government-wide net position of the District is defined by the amount that the assets plus the deferred outflows of resources of the District exceed its liabilities plus deferred inflows of resources. At the close of the current fiscal year, the District had a net position of \$207,729,569, an increase of 6.9% over the fiscal 2022 restated net position of \$194,345,325. The components of the 2023 net position are categorized as follows in the chart below:



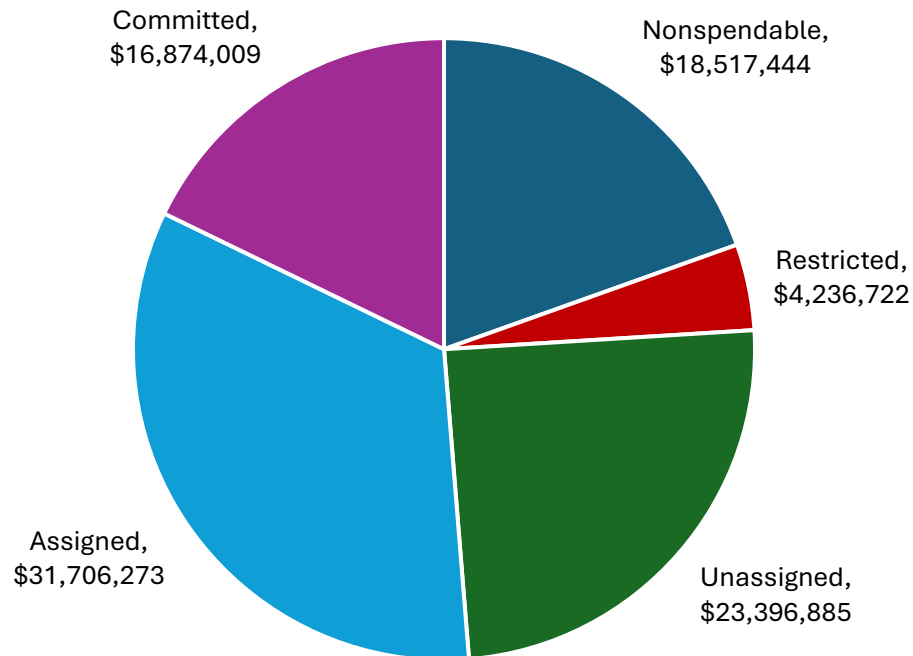
Prudent fiscal stewardship by the District continues through the following:

- Employee-related costs remain manageable.
  - The District has a performance-based pay plan that compares wages with comparable wages in the Denver metro area.
  - The cost of employee benefits remains manageable as the result of maintaining a defined contribution plan and annual review of employee benefits. The base health insurance plan was unchanged during 2023. Employees shared in any premium increases based on the existing premium sharing arrangement with the employees.
- The District has no outstanding debt.
- On December 31, 2023, the district's governmental funds reported combined ending fund balances of \$94.7 million, an increase from \$89.9 million from the prior year. Approximately 76% of the fund balance is not restricted and is available for spending at the government's discretion.
- Accumulated development fees continue to be sufficient to pay for all previously identified components of the Facility Plan.
- The Major Repair Fund provides a stabilizing base for maintaining the District's physical assets in good repair.
  - The diligent financial stewardship allowed for fund balance to be used to recover from the tornado. As noted, FEMA reimbursements are expected in 2024.
- The State of Colorado called a special session to address property taxes in which "For the 2023 property tax year, section 1 of the act reduces the valuation for assessment (valuation) for multi-family residential real property and all other residential real property from the already temporarily reduced 2023 rate of 6.765% of the amount equal to the actual value minus the lesser of \$15,000 or the amount that causes the valuation to be \$1,000 to 6.7% of the amount equal to the actual value minus the lesser of \$55,000 or the amount that causes the valuation to be \$1,000".
- Capital improvement and capital outlay increased by \$5.9 million in 2023 primarily due to the construction of the new senior center.
- The District implemented GASB 96, this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The District had no agreements that met the definition of a SBITA.

### **Fund Balance**

At the close of the fiscal year, the District's Governmental Funds reported a combined ending fund balance of \$94,731,334, an increase of \$4,733,659. The graph below summarizes the various fund balance components net of the isolated restricted portions of fund balance as of year-end. The components of fund balance include: Nonspendable; Restricted; Committed; Assigned; and Unassigned.

## Components of Fund Balance



Significant decisions impacting specific fund balances are more fully described in later sections.

### Overview of the Financial Statements

The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide interested readers and stakeholders with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities and deferred inflow and outflow of resources. The differences are 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 District is improving or deteriorating.

The statement of activities presents information showing how the government'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 (e.g. uncollected taxes).

Both of the government-wide financial statements identify functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include the direct services provided to the Highlands Ranch community by the District: public safety (including streetlight operation and maintenance), parks, open space and recreation services, cultural which includes the Mansion operations, stormwater management and public works. In addition, these are supported by general government and the District contracts for water and wastewater services.

The government-wide financial statements can be found on pages 1-2 of this report.

### **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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

**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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six major governmental funds and three non-major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the major funds – general, stormwater, utility and mansion special revenue funds, capital projects and major repair as well as combined for the three non-major funds – conservation trust and recreation special revenue funds and the water/wastewater reserve capital fund.

The District adopts an annual appropriated budget as required by State law. A budgetary comparison statement has been provided for the general fund and each major special revenue fund in the required Supplementary Information section to demonstrate compliance with the budget.

### **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 and follow immediately after the government-wide and fund financial statements.

## **Other Information**

In addition, the report includes the Combining and Individual Fund Statements for the non-major funds. In addition, a budgetary comparison schedule has been provided for the capital projects fund, major repair fund, and each of the non-major funds in this section to demonstrate compliance with the budget. These are shown as supplementary information

## **Government-wide Financials and Net Position Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$207,729,569 at the close of the most recent fiscal year an increase of \$13,384,243 over 2022, as restated.

The largest portion of the District's net position is the net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) which reflect the capital assets net of the debt related to acquiring those assets. Capital assets are used by the District to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Note that the District has no outstanding debt. The net investment in capital assets of \$111,314,258 increased 6.27% over 2022 and represents 54% of the total net position.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>		<b>2023 - 2022</b>	
	<b>2023</b>	<b>2022, as restated</b>	<b>\$ Change</b>	<b>% Change</b>
<u>Assets</u>				
Current and other assets	\$ 140,315,929	\$ 130,265,336	\$ 10,050,593	7.72%
Capital assets	113,432,138	104,742,720	8,689,418	8.30%
<b>Total Assets</b>	<b>253,748,066</b>	<b>253,008,056</b>	<b>18,740,010</b>	<b>7.97%</b>
<u>Liabilities</u>				
Noncurrent liabilities	433,903	355,069	78,834	22.20%
Other liabilities	9,419,139	5,798,068	3,621,071	62.45%
<b>Total Liabilities</b>	<b>9,853,042</b>	<b>6,153,137</b>	<b>3,699,905</b>	<b>60.13%</b>
<u>Deferred inflow of resources</u>	36,165,454	34,509,592	1,655,862	4.80%
<u>Net Position</u>				
Net investment in capital assets	111,314,258	104,742,720	6,571,538	6.27%
Restricted	4,236,723	3,669,903	566,820	15.45%
Unrestricted	92,178,588	85,932,702	6,245,886	7.27%
<b>Total Net Position</b>	<b>\$ 207,729,569</b>	<b>\$ 194,345,325</b>	<b>\$ 13,384,243</b>	<b>6.89%</b>

# Capital Assets

The District’s capital assets for its governmental activities as of December 31, 2023, were valued at \$113.4 million (net of accumulated depreciation). Asset types include land, buildings and improvements, infrastructure, machinery and equipment and construction in progress. The district uses these assets to provide services to its citizens. The overall increase in this category of \$8,689,418 or 8% from 2022 to 2023 can be summarized on the table below:

	2023	2022, as restated	Change
Land improvements	\$36,640,904	\$36,649,793	\$(8,889)
Construction in progress	26,915,608	16,913,176	10,002,431
Buildings	14,412,616	14,153,629	258,987
Improvements other than buildings	29,475,582	29,153,739	321,843
Machinery and equipment	5,708,466	5,552,825	155,642
Water and wastewater infrastructure	67,641,832	67,603,069	38,762
	<b>180,795,008</b>	<b>170,026,231</b>	<b>10,768,777</b>
Accumulated depreciation	(67,362,870)	(65,283,511)	(2,079,359)
Capital assets, net	<b>113,432,138</b>	<b>104,742,720</b>	<b>8,689,418</b>

The District has restricted a portion of the remaining net position as follows:

- \$961,231 is restricted for emergency reserves pursuant to the TABOR requirements of the Colorado constitution
- \$3,275,491 restricted for park and recreation capital improvements as required by state directive, represents unexpended funds from Colorado Lottery proceeds
- After considering the above restrictions, the District has unrestricted net position of \$92,178,588. Unrestricted net position may be used to meet the District’s ongoing obligations to citizens and creditors.

\$21,771,891 or 83% of the general revenues came from property tax revenues which was a 2% decrease from the \$22,126,140 collected in 2022. In 2023 the mill levy applied stayed the same at 11.205. Additionally, the:

- Assessed value increased slightly as the result of re-evaluation and new construction.
- Due to economic conditions coupled with changes in State Property tax law portfolio performance suffered in 2023, although the District expects to be reimbursed for lost revenues as part of the Extraordinary Legislative Session held in the spring of 2024.

Expenses totaled \$60,791,000, a decrease of \$3,080,635 or 8% primarily driven by reduced water consumption. Before considering the impact of property taxes and other general revenues, expenses for



governmental activities exceeded program revenues by \$12,725,522. During the current fiscal year, the District's net position increased by \$13,384,243 as shown below:

<b>Condensed Statement of Change in Net Position</b>				
	<b>Governmental Activities</b>		<b>2023 - 2022</b>	
	<b>2023</b>	<b>2022, as restated</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for services	\$ 46,058,365	\$ 47,069,287	(1,010,922)	-2%
Capital grants and contributions	2,007,114	2,012,635	(5,521)	0%
<b>Total program revenues</b>	<b>48,065,479</b>	<b>49,081,922</b>	<b>(1,016,443)</b>	<b>-2%</b>
<b>General Revenues:</b>				
Tax Revenues	21,771,891	22,126,140	(354,249)	-2%
Net investment income (loss)	3,939,557	(855,933)	4,795,490	-560%
Other	398,317	207,815	190,502	92%
	<b>26,109,765</b>	<b>21,478,022</b>	<b>4,631,743</b>	<b>22%</b>
<b>Total revenues</b>	<b>74,175,244</b>	<b>70,559,944</b>	<b>3,615,300</b>	<b>5%</b>
<b>Expenses:</b>				
General government	2,251,163	2,834,702	(583,539)	-21%
Public works	1,168,684	666,319	502,365	75%
Stormwater management	236,099	169,715	66,384	39%
Public safety	5,325	16,744	(11,419)	-68%
Street lights	1,323,723	1,202,882	120,841	10%
Parks and open space	11,675,546	11,293,179	382,367	3%
Recreation services	1,282,078	1,022,582	259,496	25%
Senior services	183,623		183,623	
Mansion event operations	989,262	827,224	162,038	20%
Water and wastewater operations	41,675,498	45,838,289	(4,162,791)	-9%
<b>Total expenses</b>	<b>60,791,000</b>	<b>63,871,636</b>	<b>(3,080,635)</b>	<b>-5%</b>
<b>Change in net position</b>	<b>13,384,243</b>	<b>6,688,308</b>	<b>6,695,936</b>	<b>100%</b>
Net position- January 1, as restated	194,345,325	187,657,017	6,688,308	4%
<b>Net position- ending</b>	<b>\$ 207,729,569</b>	<b>\$ 194,345,325</b>	<b>\$ 13,384,243</b>	<b>7%</b>

### Charges for Services

- 96% of the program revenues came from charges for services.

Of the charges for services:

- \$39,496,010 or 83% of the total, represent the pass-through of revenues collected from District water and wastewater customers and remitted to Centennial. These revenues are 100% directly offset by expenses for water and wastewater operations. The revenues and offsetting expenses increased year over year due to an increase in rates and slight increase in consumption.
- In addition to the above utility revenues, the District collected an additional \$2,210,717 from streetlight and stormwater management fees.

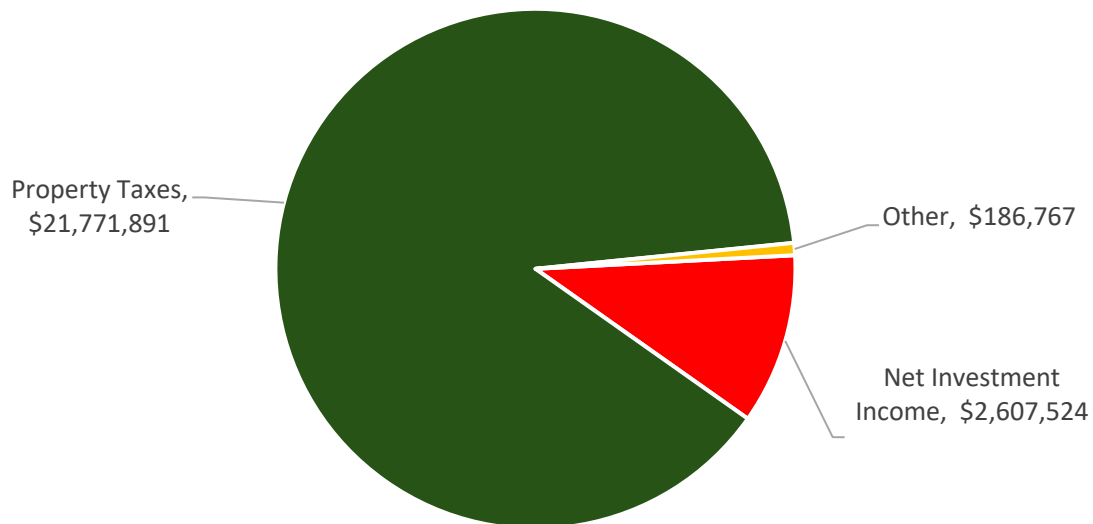
### Capital Grants and Contributions

Capital grants and contribution in 2023 totaled \$2,007,114 or 4% of total program revenues. Capital grants and contributions include donated assets, conservation trust fund (lottery) proceeds and development fees.

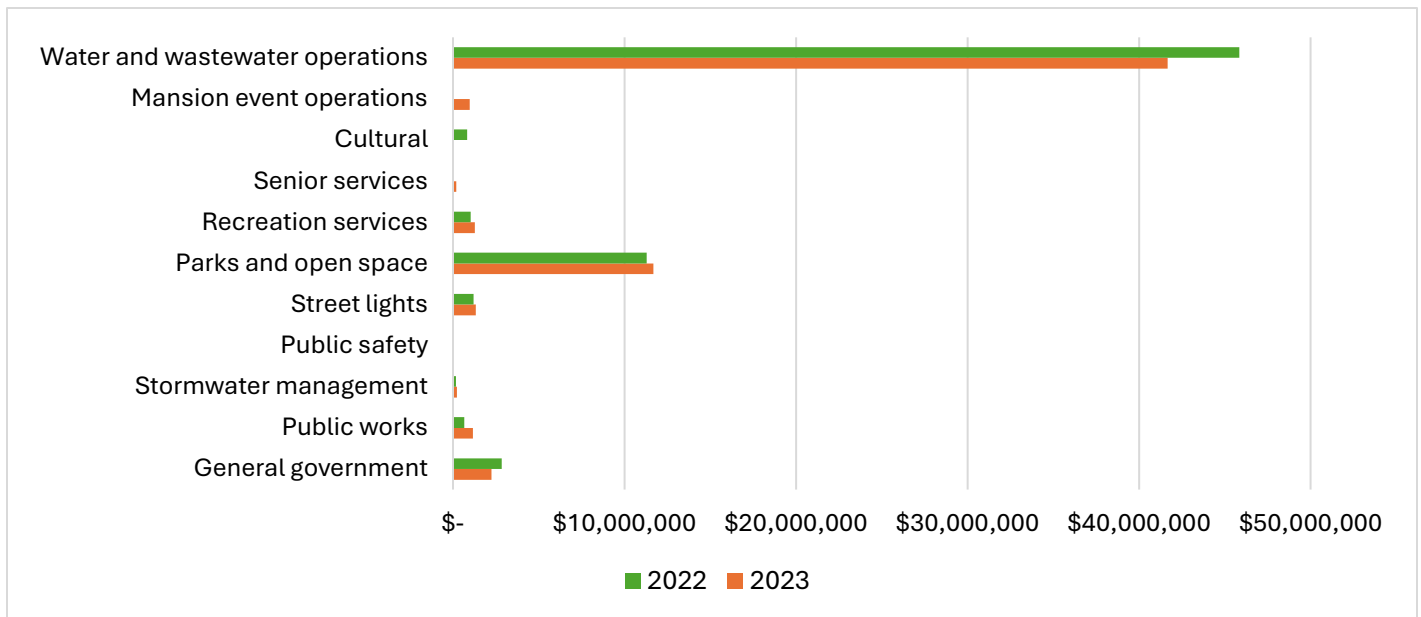
The capital grant and contributions reflect slowing development activity in 2023 as the community is nearing build out.

- System Development Fees are collected from new property at the time that the initial water and wastewater service is requested. Despite slowing residential development absorption, the 2022 fees increased from \$307,745 in 2022 to \$373,987 in 2023. System Development Fees are allocated to offset Public Works, Public Safety and Parks and Open Space related expenses. These fees are calculated based upon the Facility Plan section of the comprehensive Capital Improvement Plan adopted and updated on an annual basis. Taxes from the new development generating the fees began to appear on the tax rolls in 2021/2022 for collection in 2022/2023.

General Revenues, which include property taxes, increased from 2022. Below is a graph by type:



Expenses by function changed as follows:



### General Government

\$2,251,163- a decrease of 21% from 2022 due to high-level vacancies; governmental activities include general government, finance and administration, human resources.

### Public Works and Stormwater management

\$568,749 – an increase of 68% from 2022; costs for public works related activities which includes the administrative oversight for the infrastructure development and stormwater management.

- The public works expenses can vary dramatically from year to year and changes were made due to the restatement of 2022 financials
- Expenses are partially offset by contributions from Centennial Water and Sanitation District (“Centennial”) for certain administrative and public works employees who are shared between entities pursuant to the employee sharing agreement.

### Public Safety

\$5,325 – a significant decrease of 68% from \$16,744 in 2022; expenses are for maintenance of illuminated street name signs.

### Streetlights

\$1,323,723 an increase of 10%; provides for the cost to operate and maintain streetlights adjacent to arterial roadways as well as the streetlights in the neighborhoods.

The District collects a streetlight fee from its customers for streetlight services. This revenue stream provided an offset to the cost of routine operations and maintenance for all streetlights in the amount of \$1,293,530 a slight increase from 2022.

### Parks and Open Space

\$11,675,546 – an increase of 3%; District operates and maintains the park system, the open space and the arterial parkway landscaping

The District's share of the statewide lottery proceed distribution in 2022 was \$702,531 a slight increase from 2022.

- In 2022 Conservation Trust fund projects included a new wayfinding signage, Mansion Trees Succession Plan, and Mansion Exterior Improvements.

### Recreation Programs and Services

The direct cost of recreation services, \$1,282,078 – 3% increase; for costs related to recreation programs and services provided to our customers.

- Total revenue for recreation programs and services was 1,454,911. Program revenues are designed to recover the direct costs as well as any facility rental costs that would be recovered if the program was offered by an independent outside vendor.

### Mansion Event Operations

\$983,126 – an increase of 19%; - the District operates and maintains the Highlands Ranch Mansion for both community and private events.

- Mansion revenues increased from \$696,181 in 2022 to \$853,008 in 2023.

### Water and Wastewater

The largest single activity, the District expended \$41,675,498 – a decrease of 9%; 72% of the total expenses for water and wastewater are services provided by contract.

- \$39M of the expense is the pass-through of revenues collected from District customers and remitted to Centennial.
- \$715,180 was for depreciation of in-tract water and sewer lines owned by the District and maintained by Centennial Water and Sanitation District.
- The 2022 payment to Centennial of \$489,411 for reserved capacity is also included in this amount. This a decrease from the \$3,276,232 paid in 2022 is the result of slowing new construction as the district reaches buildout.

### Interest Expense

The District incurred no interest expense in 2023.

## Government's Fund Financials and Fund Balance Analysis

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

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the

District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$94,731,334, an increase of \$4,773,659 in comparison with the prior year. The following table shows the categories the total fund balances are comprised of pursuant to GASB 54.

<b>Fund Balances</b>	<b>2023 Ending Balance</b>
Nonspendable	\$ 18,517,444
Restricted	4,236,723
Committed	16,874,009
Assigned	31,706,273
Unassigned	23,396,885
<b>Total</b>	<b><u>\$ 94,731,334</u></b>

The \$4,236,723 of fund balances reported as restricted are similar to those restricted in the statement of net position and are comprised of the following:

- The General Fund includes the entire amount of the emergency reserve mandated by the Colorado constitution in the amount of \$961,231.
- The Conservation Trust Fund ending balance in the amount of \$3,275,491 is restricted by provisions of the Colorado Constitution.

Restricted fund balance increased from revenues, primarily the proceeds from the Lottery Fund in the amount of \$702,531 a slight increase from 2022.

The remaining unrestricted amounts of \$71,977,168 are available for spending at the government’s discretion, subject to the different categorizations. These amounts are comprised of:

- The General Fund unassigned fund balance is \$23,396,885. It represents 130% of total 2023 general fund expenditures. The 2023 year-end balance continues to exceed the targeted fund balance established by the Board (40% of general fund expenditures less offsetting revenues).
- \$1,097,861 is committed by the Board of Directors for the stormwater management program including both operations and appropriated capital projects.
- The Utility Special Revenue Fund has a total fund balance of \$4,926,973, of which, \$3,708,209 is committed and \$1,218,764 is assigned to meet the requirements of the IGA with Centennial and consistent with the Board directed purposes when establishing fees. The fund accounts for 1) water and wastewater special revenues; 2) streetlight special revenues; and 3) tap fees collected to meet reserved capacity payment requirements.

The net increase in utility fund balance during the current year in the fund was \$244,945 which was due in large part to the current year Tap Fee collection not exceeding the amount of the reserve capacity payment.

\$27,440,528 of fund balance in the Capital Projects Fund is either committed or assigned:

- \$17,998,020 is assigned for unexpended Board approved project appropriations
- \$9,442,509 and is committed for:
  - The future capital projects identified in the Capital Improvements Plan. Additional amounts will be accumulated over time from the collection of Systems Development Fees

The Mansion Fund balance of \$4,404,985 is committed.

- Includes a \$4 million prior year transfer from the Capital Projects Fund that is intended to be a permanent funding source similar to an endowment.
- The fund balance also includes accumulated revenues in excess of expenses.
- During 2023 revenues including other miscellaneous income and investment income exceeded expenditures.

The Major Repair Fund has an ending fund balance of \$26,621,517.

The primary funding sources in 2023 were:

- lease income from cell towers and related equipment on District property
- a transfer from the General Fund approximately equal to 1.0 mills.
- a transfer from the General Fund for vehicle and equipment replacement
- Revenues and transfers exceeded project expenses in 2023 by \$1.2 million.

\$5,851,973 of the non-major Other Governmental Funds fund balance (this amount does not include the Conservation Trust Fund described above under restricted) includes the Recreation special revenue fund, and Water and Sewer Reserve Fund.

The Recreation Fund has an ending fund balance of \$0. This is intentional since the General Fund annually transfers in the exact amount necessary to offset the shortfall in program revenues in relation to program expenses.

The Water and Sewer Reserve Fund has an ending fund balance of \$2.6 million

The largest change in fund balances was in the Capital Fund as construction of the new Senior Center is ongoing and nears completion in 2024.

## General Fund Budgetary Highlights

Actual expenditures were 8% lower than the original budget with the most significant variance in wages and benefits due to partial year vacancies and reduced number of seasonal employees hired.

## Capital Asset and Debt Administration

The District's investment in capital assets as of December 31, 2023, amounts to \$113,432,138 net of accumulated depreciation. This investment in capital assets includes land improvement for parks and arterial landscape, buildings, roadway improvements and storm drainage facilities. The District's net investment in capital assets increased by \$8.7 million during the current fiscal year as capital improvements and donation of assets failed to exceed depreciation.

## Long Term Debt

As of December 31, 2023, the District has no outstanding debt.

## Economic Factors and Next Year's Budgets and Rates

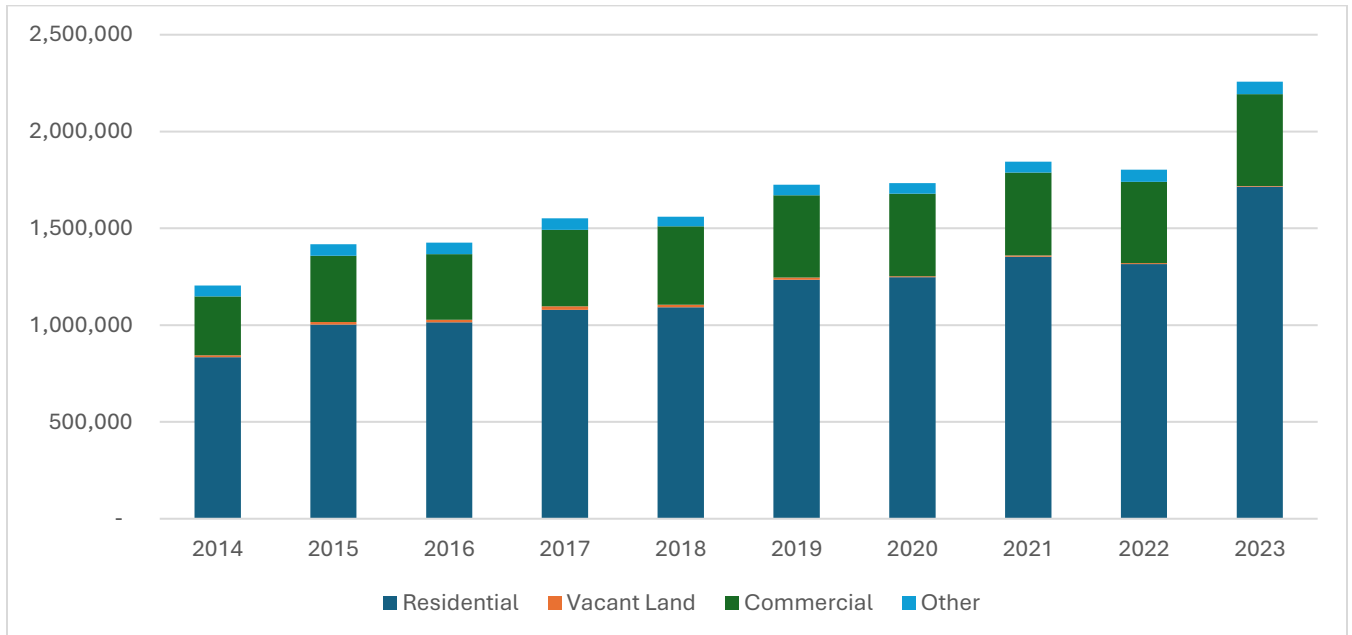
The District has appropriated \$17,817,942 for spending in the 2024 fiscal year General Fund budget. In addition to the General Fund expenditures, the budget anticipates operating transfers of:

- \$1,437,538 to the Recreation Special Revenue Fund so that fund can continue to maintain a \$0 fund balance
- \$700,000 to the Water and Sewer Reserve to fund in-tract line replacement
- \$2,643,425 to the Major Repair Fund
- \$0 to the General Government Capital Fund as fund balance can sustain future capital projects

Expenditures will not exceed revenues and transfers, the net impact of which is an increase in fund balance during 2024 of \$4 million.

In addition to the significant District fund balances, the following factors were considered in preparing the District's budget for 2024:

The property tax base still has minimal potential for future growth from undeveloped residential and nonresidential areas. In addition to conservative projections of this growth the District, despite the current real estate market trends, the District prepared a forecast that assumes that property tax revenue growth is essentially limited to inflation as shown on the graph below.



- In 2023, the mill levy remained unchanged at 11.205 mills, but a reduction to 10.110 mills was adopted in 2024. This reduction is reflective of the District's compliance with TABOR restrictions on property revenue.
- The 2024 Budget includes an increase of \$0.28 per 1,000 gallons for the base water rates and \$2.96 for wastewater rates. In 2024 Centennial Water and Sanitation District implemented a new Infrastructure Improvement Fee (IIF). This fee is collected from users in the Service Districts at a

rate of \$7.50 per month. This funding is needed to ensure continuity of operations continues as the District's infrastructure is replaced or renovated in a timely manner in compliance with regulations. The rates for water and wastewater service charged by the District to its residents are the resulting revenues are passed through to Centennial Water and Sanitation District. Since this is a pass-through, it does not affect the District fund balances.

- The streetlight fee remained unchanged at \$6.70 bi-monthly.
- The stormwater fee remained unchanged in 2023 at \$2.64 bi-monthly.

## **Requests for Information**

This financial report is designed to provide a general overview of the Highlands Ranch Metropolitan District finances for all those with an interest in the government's finances. In addition, this financial report and related information is available on the District's website at [www.HighlandsRanch.org](http://www.HighlandsRanch.org). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Finance and Administration, Highlands Ranch Metropolitan District, 62 W. Plaza Drive, Highlands Ranch, Colorado 80129.





# Financial Statements



# Highlands Ranch Metropolitan District

## Statements of Net Position

December 31, 2023

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 74,758,788
Receivables	
Property taxes	22,832,655
Customers	5,672,482
Interest	514,677
Due from other governments	196,882
Leases	14,474,894
Other	266,376
Prepays	13,104
Inventory	16,276
Restricted cash and investments	3,081,732
Assets held for transfer	18,488,064
Capital assets, not being depreciated	63,556,512
Capital assets, net of accumulated depreciation	49,875,626
Total assets	<u>253,748,064</u>
<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	3,364,147
Due to other governments	5,777,487
Unearned Revenue	277,505
Noncurrent liabilities:	
Compensated absences	
Due within one year	36,310
Due in more than one year	397,593
Total liabilities	<u>9,853,042</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax	22,832,655
Leases	13,332,799
Total deferred inflows of resources	<u>36,165,454</u>
<b>NET POSITION</b>	
Net investment in capital assets	111,314,258
Restricted for:	
Emergency reserves	961,231
Parks and recreation	3,275,491
Unrestricted	92,178,588
Total net position	<u>\$ 207,729,569</u>

The accompanying notes to the financial statements are an integral part of this statement.

# Highlands Ranch Metropolitan District

## Statements of Activities

For the Year Ended December 31, 2023

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
General government	\$ 2,251,163	452,667	\$ -	\$ -	\$ (1,798,496)
Public safety	5,325	-	-	9,602	4,277
Street Lights	1,323,723	1,293,530	-	-	(30,193)
Parks and open space	11,675,546	-	-	936,730	(10,738,816)
Recreation services	1,282,078	1,454,911	-	-	172,834
Senior Services	183,623	37,587	-	-	(146,036)
Cultural	6,136	-	-	-	(6,136)
Mansion event operations	983,126	853,008	-	-	(130,118)
Public works	1,168,684	1,553,466	-	189,695	574,477
Stormwater management	236,099	917,187	-	67,775	748,862
Water and wastewater operations	41,675,498	39,496,010	-	803,312	(1,376,175)
	<u>\$ 60,791,000</u>	<u>\$ 46,058,365</u>	<u>\$ -</u>	<u>\$ 2,007,114</u>	<u>\$ (12,725,522)</u>

General revenues:

Property taxes	19,899,608
Specific ownership tax	1,872,283
Net investment income	3,939,557
Other	398,317
Total general revenues	<u>26,109,765</u>
Change in net position	<u>13,384,243</u>
Net position, January 1, before restatement	193,625,288
Adjustment for correction of error	720,037
Net position - January 1, after restatement	<u>194,345,325</u>
Net position - ending	<u>\$ 207,729,569</u>

The accompanying notes to the financial statements are an integral part of this statement

# Highlands Ranch Metropolitan District

## Balance Sheet

### Governmental Funds

December 31, 2023

	General	Special Revenue			Capital	Major Repair	Total Nonmajor Funds	Total Governmental Funds
		Stormwater	Utility	Mansion				
<b>ASSETS</b>								
Cash and investments	\$ 22,549,786	\$ 1,024,913	\$ 4,711,434	\$ 4,692,520	\$ 31,339,212	\$ 7,785,752	\$ 2,655,170	\$ 74,758,788
Receivables								
Property taxes	22,832,655	-	-	-	-	-	-	22,832,655
Customers	-	60,000	5,612,482	-	-	-	-	5,672,482
Interest	355,812	-	-	-	-	158,865	-	514,677
Due from other governments	-	81,692	115,189	-	-	-	-	196,882
Due from other funds	2,926,669	-	360,520	7,870	-	-	211,288	3,506,347
Leases	-	-	-	-	-	14,474,894	-	14,474,894
Other	165,964	-	-	13,788	25,392	61,232	-	266,376
Inventory	4,285	-	-	11,990	-	-	-	16,276
Prepaid items	13,104	-	-	-	-	-	-	13,104
Assets held for transfer	-	-	-	-	-	18,488,064	-	18,488,064
Restricted cash and investments	-	-	-	-	-	-	3,081,732	3,081,732
<b>Total assets</b>	<b>\$ 48,848,275</b>	<b>\$ 1,166,605</b>	<b>\$ 10,799,625</b>	<b>\$ 4,726,168</b>	<b>\$ 31,364,605</b>	<b>\$ 40,968,806</b>	<b>\$ 5,948,189</b>	<b>\$ 143,822,274</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 519,141	\$ -	\$ 227,071	\$ 7,326	\$ -	\$ -	\$ 11,364	\$ 764,901
Accrued liabilities	317,102	-	-	19,367	-	-	73,299	409,768
Contracts and retainage payable	12,049	-	-	-	1,686,734	419,097	-	2,117,880
Customer deposits payable	55,050	-	-	16,500	-	-	48	71,598
Unearned revenue	-	-	-	266,000	-	-	11,505	277,505
Due to other governments	157,095	-	5,620,392	-	-	-	-	5,777,487
Due to other funds	579,677	68,744	25,190	-	2,237,342	595,393	-	3,506,347
<b>Total liabilities</b>	<b>\$ 1,640,114</b>	<b>\$ 68,744</b>	<b>\$ 5,872,652</b>	<b>\$ 309,193</b>	<b>\$ 3,924,076</b>	<b>\$ 1,014,490</b>	<b>\$ 96,217</b>	<b>\$ 12,925,486</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,332,799	\$ -	\$ 13,332,799
Property taxes	22,832,655	-	-	-	-	-	-	22,832,655
<b>Total deferred inflows of resources</b>	<b>\$ 22,832,655</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,332,799</b>	<b>\$ -</b>	<b>\$ 36,165,454</b>
<b>FUND BALANCES</b>								
<b>Nonspendable:</b>								
Inventory	4,285	-	-	11,990	-	-	-	16,276
Prepaid items	13,104	-	-	-	-	-	-	13,104
Assets held for transfer	-	-	-	-	-	18,488,064	-	18,488,064
<b>Restricted:</b>								
Emergency reserves	961,231	-	-	-	-	-	-	961,231
Parks and recreation	-	-	-	-	-	-	3,275,491	3,275,491
<b>Committed:</b>								
Water and wastewater operations	-	-	313,307	-	-	-	-	313,307
Mansion operations	-	-	-	4,404,985	-	-	-	4,404,985
Streetlight management	-	-	905,457	-	-	-	-	905,457
Capital and major repair projects	-	-	-	-	9,442,509	1,731,810	75,941	11,250,260
<b>Assigned</b>								
Stormwater management	-	1,097,861	-	-	-	-	-	1,097,861
Capital and major repair projects	-	-	-	-	17,998,020	6,401,644	2,500,540	26,900,204
Other	-	-	3,708,209	-	-	-	-	3,708,209
Unassigned	23,396,885	-	-	-	-	-	-	23,396,885
<b>Total fund balances</b>	<b>24,375,507</b>	<b>1,097,861</b>	<b>4,926,973</b>	<b>4,416,975</b>	<b>27,440,528</b>	<b>26,621,517</b>	<b>5,851,973</b>	<b>94,731,334</b>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b>\$ 48,848,275</b>	<b>\$ 1,166,605</b>	<b>\$ 10,799,625</b>	<b>\$ 4,726,168</b>	<b>\$ 31,364,605</b>	<b>\$ 40,968,806</b>	<b>\$ 5,948,189</b>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not

financial resources and, therefore, are not reported in the funds

113,432,138

Liabilities are not due and payable in the current period and

therefore are not in the funds: compensated absences payable

(433,903)

Net position of governmental activities

\$ 207,729,569

The accompanying notes to the financial statements are an integral part of this statement.

# Highlands Ranch Metropolitan District

## Statements of Revenue, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the Year Ended December 31, 2023

	General	Special Revenue			Capital	Major Repair	Total Nonmajor Funds	Total Governmental Funds
		Stormwater	Utility	Mansion				
<b>REVENUES</b>								
Taxes								
Property	\$ 19,899,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,899,608
Specific Ownership	1,872,283	-	-	-	-	-	-	1,872,283
Stormwater management	-	917,187	-	-	-	-	-	917,187
Water and wastewater operations	-	-	39,496,010	-	-	-	-	39,496,010
Tap and system development fees	-	-	764,550	-	373,987	-	-	1,138,537
Streetlight management	-	-	1,293,530	-	-	-	-	1,293,530
Mansion operations	-	-	-	853,008	-	-	-	853,008
Cell site leases	-	-	-	-	-	1,472,926	-	1,472,926
Parks and recreation	-	-	-	-	-	-	1,454,911	1,454,911
Senior services	-	-	-	-	-	-	37,587	37,587
Colorado lottery proceeds	-	-	-	-	-	-	702,531	702,531
Intergovernmental	692,690	-	-	-	-	-	-	692,690
Contributions	-	-	-	-	127,283	-	-	127,283
Other	186,767	-	-	-	-	-	-	186,767
Net investment income (loss)	2,607,524	47,413	120,040	123,552	660,599	155,384	225,046	3,939,557
<b>Total Revenues</b>	<b>\$ 25,258,873</b>	<b>\$ 964,600</b>	<b>\$ 41,674,130</b>	<b>\$ 976,560</b>	<b>\$ 1,161,869</b>	<b>\$ 1,628,309</b>	<b>\$ 2,420,075</b>	<b>\$ 74,084,415</b>
<b>EXPENDITURES</b>								
Current:								
General government	\$ 2,206,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,206,276
Public safety	5,325	-	1,323,723	-	-	-	-	1,329,048
Public works	1,195,592	-	-	-	-	-	-	1,195,592
Parks and open space	9,367,271	-	-	-	-	1,050,221	833,476	11,250,969
Recreation services	-	-	-	-	-	-	1,282,078	1,282,078
Senior services	-	-	-	-	-	-	183,623	183,623
Cultural	-	-	-	6,136	-	-	-	6,136
Mansion event operations	-	-	-	707,487	-	-	-	707,487
Stormwater management	-	236,099	-	-	-	-	-	236,099
Water and wastewater operations	-	-	39,496,010	-	-	-	-	39,496,010
Investment in reserved capacity	-	-	489,411	-	-	-	-	489,411
Capital Outlay:								
General government	-	-	-	-	9,214,822	151,039	62,049	9,427,909
Major repair and renovation	-	-	-	-	-	1,334,559	217,624	1,552,183
<b>Total Expenditures</b>	<b>\$ 12,774,465</b>	<b>\$ 236,099</b>	<b>\$ 41,309,144</b>	<b>\$ 713,624</b>	<b>\$ 9,214,822</b>	<b>\$ 2,535,819</b>	<b>\$ 2,578,850</b>	<b>\$ 69,362,822</b>
Excess (deficiency) of revenues over (under) expenditures	12,484,408	728,501	364,986	262,936	(8,052,953)	(907,510)	(158,775)	4,721,593
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in:	307,405	-	-	-	8,259,380	2,125,835	1,294,317	11,986,937
Transfers out:	(9,860,283)	(1,617,392)	(120,040)	(139,952)	-	-	(249,270)	(11,986,937)
Proceeds on disposal of assets	52,066	-	-	-	-	-	-	52,066
<b>Total other financing sources (uses)</b>	<b>(9,500,813)</b>	<b>(1,617,392)</b>	<b>(120,040)</b>	<b>(139,952)</b>	<b>8,259,380</b>	<b>2,125,835</b>	<b>1,045,047</b>	<b>52,066</b>
Net change in fund balances	2,983,596	(888,891)	244,946	122,984	206,427	1,218,325	886,272	4,773,659
Fund balances, January 1, before restatement	21,391,911	1,986,752	4,682,028	4,293,991	27,234,101	5,995,454	4,748,385	70,332,623
Adjustment for correction of error	-	-	-	-	-	19,407,738	217,316	19,625,054
Fund balances, January 1, after restatement	21,391,911	1,986,752	4,682,028	4,293,991	27,234,101	25,403,192	4,965,700	89,957,676
<b>Fund Balances - December 31</b>	<b>\$ 24,375,507</b>	<b>\$ 1,097,861</b>	<b>\$ 4,926,973</b>	<b>\$ 4,416,975</b>	<b>\$ 27,440,528</b>	<b>\$ 26,621,517</b>	<b>\$ 5,851,973</b>	<b>\$ 94,731,334</b>

The accompanying notes to the financial statements are an integral part of this statement.

# Highlands Ranch Metropolitan District

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2023

Net change in fund balances - total governmental funds \$ 4,773,659

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is calculated as follows:

Capital outlay	9,427,909	
Capitalized major repairs and renovations	1,552,183	
Current year depreciation	(2,275,120)	
Capital asset disposals	(54,317)	
	8,650,656	8,650,656

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not a current source of financial resources 38,762

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Increase in accrued compensated absences (78,834)

Change in net position of governmental activities per Statement of Activities \$ 13,384,243

The notes to the financial statements are an integral part of this statement.



HIGHLANDS



RANCH

# Notes to Financial Statements

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Highlands Ranch Metropolitan District have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Highlands Ranch Metropolitan District's significant accounting policies are described below.

#### A. ORGANIZATION AND REPORTING ENTITY

The Highlands Ranch Metropolitan District (the "District") is a quasi-municipal corporation, governed pursuant to provisions of the Colorado Special District Act. The District is the elected local government in Highlands Ranch, Colorado served by a seven-member Board of Directors (the "Board") elected to 4-year terms. Policy-making and legislative authority are vested in the Board.

The District serves the Highlands Ranch community located in Douglas County, Colorado, comprising of approximately 101,514 residents per the 2022 United States Census Bureau report. The District manages roadway landscaping, parks and open space, the trail system, storm drainage, streetlights and traffic signals, and outdoor recreation. The District also provides water and wastewater services through its wholesale provider agreement with Centennial Water and Sanitation District.

#### COMPONENT UNITS

The District follows the Governmental Accounting Standard Board (GASB) accounting pronouncements that 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, the appointment by the primary entity of a voting majority of the component organization's governing body, the ability of the primary entity to impose its will on the component organization, a potential for the component organization to provide specific financial benefits or burdens and fiscal dependency of the component organization.

The Highlands Ranch Parks and Recreation Foundation (the Foundation) is a nonprofit organization whose sole purpose is to support the District by funding opportunities above and beyond the normal operating budget. The Foundation is governed by a board appointed by the membership of the Foundation. The revenues, expenditures and net assets of the Foundation are not material to these financial statements and therefore the District has chosen not to present the financials of the Foundation. The Friends of the Senior Center (FOTSC) provides grants to seniors who cannot afford membership at the new Senior Center when it is operational. The activity of the FOTSC is not material to these financial statements and therefore the District has chosen not to present the financials of the FOTSC. A copy of the IRS 990 return of the Foundation and the FOTSC may be obtained from the District at its offices at 62 West Plaza Drive, Highlands Ranch, Colorado 80129.



# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

The District is not financially accountable for any other entity nor is the District a component unit of any other government.

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include, a) 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 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.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the measurement of economic resources and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. The District considers all revenue as available, if collected within 60 days after year end. Property taxes and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time. Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred.

The District reports the following major governmental funds:

1. The General Fund, which is the District's primary operating fund. It is used to account for all financial resources except those required to be accounted for in other funds. The fund is primarily financed by property and specific ownership taxes.
2. The Stormwater Special Revenue Fund, which is used to account for stormwater fees received for the purpose of meeting the District's obligations in complying with federal and state regulations

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

for municipal stormwater systems and to protect open space channels consistent with these regulations. As the fund meets the definition of a special revenue fund, in 2023 it is reported as a major special revenue fund whereas in prior years it was reported as part of the general fund.

3. The Utility Special Revenue Fund, which is used to collect and disburse revenues earmarked for specific purposes due to either legal or contractual arrangements. This fund accounts for a) water and wastewater service revenues and expenses, b) the investment in reserved capacity in the water and wastewater system owned by Centennial Water and Sanitation District, and c) streetlight revenues used for the operations and maintenance of the District's streetlight system. This fund also accounts for the investment earnings from the development fees and streetlight fees received. The District has chosen to use this type of fund because the revenue from these service fees are paid to other entities for services rendered and because the service fees are not established to fully recover the cost of the assets.
4. The Mansion Special Revenue Fund, which is used to account for revenue collected, investment earning of such revenue, and the cost of operations and maintenance from use of the Highlands Ranch Mansion. This fund also accounts for the investment earnings on an endowment self-created by the District's Board from previously collected developer fees and user fees established by the Board for rental of the Highlands Ranch Mansion.
5. The Capital Projects Fund, which is used to account for the financial resources to be used for the acquisition or construction of capital projects as identified in the District's Facility and Community Enhancements Plans. The primary source of funding comes from System Development Fees and investment earnings on fund balance.
6. The Major Repair Fund, which is used to fund the major repair, replacement and renovation of District assets. The primary source of funding is from lease proceeds collected for use of District land and investment earnings on fund balance.

The District also maintains a Debt Service Fund which is used to account for the accumulation of resources for the payment of long-term debt principal, interest and related costs. As the District currently has no debt, the fund is not presented in the financial statements.

Additionally, the District reports Other Governmental Funds as a consolidation of the following nonmajor funds:

1. The **Conservation Trust Fund**, which is a special revenue fund used to collect and disburse proceeds from the Colorado State Lottery which are earmarked for specific purposes due to Colorado State statutory requirements.
2. The **Recreation Special Revenue Fund**, which is a special revenue fund used to collect and disburse monies earmarked for specific purposes as the result of specific Board action. This fund accounts for the proceeds from user fees established by the Board for recreation programs and activities.
3. The **Water and Wastewater Reserve Fund**, which is a fund established to track expenditures related to replacement of in-trac water and wastewater lines. The primary source of funding are transfers from the General Fund.

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

In the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

### **D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCES**

#### **1. Cash and Cash Equivalents**

The District's investments, both restricted and unrestricted, are highly liquid with an original maturity of three months or less when purchased. As such, they present insignificant risk of changes in value due to changes in interest rates.

#### **2. Interest Bearing Investments**

The District follows the practice of pooling available cash of all funds to maximize net investment income. Cash in excess of immediate operating requirements is invested. Investments are stated at fair value, which is primarily determined based upon quoted market prices or other significant, observable inputs, at year end. Investments in Local Government Investment Pools are reported at net asset value (NAV). Net investment income is allocated annually to the participating funds based on each fund's monthly average equity balance in total cash and investments.

#### **3. Property Taxes Receivable**

The District's Board levies property taxes. The levy is based on assessed valuations as determined by the Douglas County Assessor who calculates the assessed value as of January 1 of each year. The Board establishes the levy to be assessed against the assessed value prior to December 15 of the year for which the assessed value is determined. Property taxes are due and considered earned on January 1 following the year levied. The first and second halves become delinquent on March 1 and June 16, respectively. 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. Sales of tax liens on delinquent property are normally collected in November.

The County Treasurer remits the taxes collected monthly to the District. As property taxes are collected in the succeeding year, the receivable and corresponding deferred inflow of resources are reported at year end. Property taxes, net of estimated uncollectible taxes, are recorded initially as a deferred inflow of resources in the year they are levied and measurable. The deferred inflow of resources is recorded as revenue in the year they are available or collected.

#### **4. Due From/To Other Governments**

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

Through an IGA, the District shares in costs related to staffing and certain purchases with Centennial Water and Sanitation District (CWSD) in which they either reimburse the District or the District reimburses them, based off the shared costs incurred by each. In addition, under the IGA the District is responsible for collecting utility payments from its residents and remitting those amounts to CWSD.

### 5. Inventories and Prepaid Items

The District values inventories at cost, which approximates market, and accounts for them using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items in the governmental funds are recorded as expenditures when consumed.

### 6. Leases

In accordance with GASB No. 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the payments expected to be received during the lease term, and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates include how the District determines the discount rate it uses to discount the expected lease receipts to present value, the lease term and the lease receipts. The District monitors changes in circumstances that would require remeasurement of its leases and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### 7. Capital Assets

Land, construction in progress, buildings, equipment, and infrastructure are reported at cost. Donated or contributed capital assets are recorded at their estimated acquisition value at the date of donation or contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$15,000 and an estimated useful life of more than one year. Water distribution and wastewater collection lines are installed by Centennial Water and Sanitation District and dedicated to the District.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Upon retirement or other disposition of a capital asset, the cost and accumulated depreciation are removed.

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

Capital assets purchased by governmental funds are not included as assets in the governmental fund but as expenditures.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Water and wastewater infrastructure	40 years
Park infrastructure and buildings	30 years
Office buildings	40 years
Vehicles and equipment	5-10 years

### 8. Assets Held for Transfer

The Highlands Ranch Metropolitan District Service Plan outlines various public improvements for the building out of the District. Under the service plan certain improvements including construction of arterial streets, traffic control devices and certain storm drainage improvements are to be dedicated to, operated or maintained by Douglas County. As the District does not maintain ownership and will not utilize these assets in its operations these improvements are recorded as assets held for transfer until they are formally accepted by Douglas County.

### 9. Development Fees

The District has established a Systems Development Fee for residential and nonresidential property owners. The fee, which is recalculated annually, is designed to recover the estimated costs of the construction of the District's Facility Plan.

The District has also approved the establishment of a tap fee for residential and nonresidential property owners. This fee is used for the acquisition of capacity in Centennial Water and Sanitation District's water and wastewater treatment system.

### 10. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position/Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position/Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

### 11. Compensated Absences

Employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated in the various categories of absence is based

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

generally on length of service. Compensated absences, which have been earned but not paid, have been included as liabilities in the Statement of Net Position.

### 12. Unearned Revenues

Unearned revenues reflect amounts that have been received before the District has a legal claim to the funds. In subsequent periods, when the District has a legal claim to the resources, the unearned revenue is removed, and the revenue is recognized.

### 13. Net Position

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of restricted.

Net investment in capital assets consists of the value of capital assets net of accumulated depreciation reduced by the outstanding balances of any costs or borrowing used for the acquisition or construction of improvement on those assets.

Net position is reported as restricted when there are limitations imposed on the use of financial resources either through the enabling legislation or external restrictions imposed.

Unrestricted net position represents resources that can be used for any purpose as approved by the Board.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted net position first, then unrestricted resources as they are needed.

### 14. Fund Balances

In the governmental fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balance classifications based on the nature and extent of the constraints placed on the fund balances.

**Nonspendable:** includes 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:** includes the portion of fund balance that is constrained to being used for a specific purpose by external parties or enabling legislation.

**Committed:** includes the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal approval through adoption of a resolution of the District's Board. The constraint, once imposed, can only be removed or changed through the same formal approval by resolution of the Board.

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

Assigned: includes the portion of the fund balance that is constrained by the District's intent for use for a specific purpose but said intent does not meet the definition of either Restricted or Committed. For the District, only the Board of Director's have the authority to assign fund balance.

Unassigned: includes amounts that have not been restricted, committed or assigned to a specific purpose. Negative unassigned fund balance may be reported in any governmental fund other than the General Fund when expenditures incurred for specific purposes exceed amounts restricted, committed or assigned to those purposes.

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

### 15. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### 16. Implementation of New Accounting Standards

Governmental Accounting Standards Board Statement No. 96 – Issued in May 2020, GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements* (SBITAs) establishes standards of accounting and financial reporting for SBITAs by a government end user. GASB 96 defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. GASB 96 also provides the capitalization criteria for outlays other than subscription payments, including SBITA implementation costs as well as note disclosure requirements for SBITAs. Implementation of this statement is effective for fiscal years beginning after June 15, 2022. The effect of this standard on the District is insignificant because it owns most of its software and it is not subscription based.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### BUDGETS

Budgets are adopted for each fund on its Generally Accepted Accounting Principles (GAAP) basis of accounting except for general governmental type capital projects funded from the Capital Projects, Conservation Trust and Major Repair Funds. Appropriations are at the total fund expenditures level and lapse at year end in all funds except for the above referenced general government type capital projects funds. Appropriations for this type of capital outlay are project length appropriations on a project-by-project basis and extend until the District's Board rescinds any unexpended appropriation once the project is completed. Expenditures may not legally exceed appropriations at the fund level.

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The Board can only amend appropriation resolutions upon completion of notification and publication requirements. The appointed management of the District can transfer between line items within the fund level appropriation without notice.

### TAX, SPENDING AND REVENUE 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 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.

The District's property tax collections for 2022 provide the basis for calculation of the 2023 limitations adjusted for allowable increases tied to inflation and local growth. Property tax revenue in excess of the District's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. The District has reviewed its 2023 results of operations and anticipates it is following its current interpretation and application of voter approved adjustments to TABOR tax, revenue, "spending limit" and debt limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District's reserve at December 31, 2023 is \$961,231.

### III. DETAILED NOTES

#### NOTE A – DEPOSITS AND INVESTMENTS

The District deposits cash in accordance with Colorado State laws and invests cash as restricted by Colorado State Statutes as well as further restrictions placed on investments as adopted by the Board. The reconciliation of cash and investments on the Statements of Net Position as of December 31 is as follows:

Cash on hand	\$	1,350
Cash deposits		301,752
Investments		42,731,602
Local governemnt investment pools		34,805,816
Total cash and investments	<u>\$</u>	<u>77,840,520</u>
Reconciliation to the Statement of Net Position		
Cash and investments	\$	74,758,788
Restricted cash and investments	\$	3,081,732
	<u>\$</u>	<u>77,840,520</u>



# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

### 1. DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires that local governments deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized, as determined by the PDPA. The PDPA allows institutions 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 102% of the aggregate uninsured deposits. Deposits covered by PDPA are not subject to custodial credit risk. The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2023, the District's cash deposits had a bank balance of \$1,781,703 of which \$1,531,703 was collateralized in accordance with PDPA requirement and the remainder was covered by FDIC insurance.

### 2. INVESTMENTS

As of December 31, 2023, investments consisted of the following:

Investment Type	Value	Less than 1	1-5 Years
Money Market Fund	\$ 84,497	\$ 84,497	\$ -
Asset-Backed Securities	5,187,200	354,991	4,832,209
Certificate of Deposit	2,540,797	1,655,442	885,355
Corporate Bonds	6,603,572	247,527	6,356,045
Municipal Bonds	2,287,106	530,161	1,756,945
Supranational	1,313,351	-	1,313,351
US Agency Securities	411,600	411,195	405
US Treasury Securities	24,303,478	2,883,195	21,420,283
Total	\$ 42,731,602	\$ 6,082,511	\$ 36,564,594

#### LOCAL GOVERNMENT INVESTMENT POOLS

Colorado State Local Government Investment Pools (LGIPs) are an investment vehicle established for local government entities in Colorado to pool surplus funds and which operate similarly to a money market fund in which each share is equal in value to \$1.00. The State Securities Commissioner administers and enforces all State statutes governing LGIPs. The District invests in two LGIPs: the Colorado Statewide Investment Pool (CSIP) and the Colorado Local Government Liquid Asset Trust (COLOTRUST). Each of these LGIP's investments is limited to those allowed by State statutes. The LGIPs do not have any limitation or restrictions on participant withdrawals.

As of December 31, 2023, the District had invested \$34,782,968 in CSIP and \$22,848 in COLOTRUST.

### 3. FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are valued using a matrix pricing technique. Matrix pricing involves using a

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

selection of data points, such as quoted prices, or yield curves to calculate prices for separate financial instruments that can share characteristics similar to the data points. Level 3 inputs are significant unobservable inputs.

As of December 31, 2023:

<b>Investment Type</b>	<b>Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money Market Fund	\$ 84,497	\$ 84,497	\$ -	\$ -
Asset-Backed Securities	5,187,200	-	5,187,200	-
Certificate of Deposit	2,540,797	-	2,540,797	-
Corporate Bonds	6,603,572	-	6,603,572	-
Municipal Bonds	2,287,106	-	2,287,106	-
Supranational	1,313,351	-	1,313,351	-
US Agency Securities	411,600	-	411,600	-
US Treasury Securities	24,303,478	24,303,478	-	-
<b>Total</b>	<b>\$ 42,731,602</b>	<b>\$ 24,303,478</b>	<b>\$ 18,343,627</b>	<b>\$ -</b>

#### 4. CREDIT RISK

Investment transactions are made in accordance with the Colorado Revised Statutes (CRS) 24-75-601, et seq. The types of investments, which are authorized by the District's internal investment policy, include the following:

- Obligations of the United States government with maturities not exceeding 5 years from the date of purchase.
- Obligations of United States government agencies and United States government sponsored corporations with maturities not exceeding 5 years from the date of purchase.
- Corporate Bonds that are an obligation of corporations or financial institutions organized and operating in the United States with a maturity not exceeding 3 years from the date of trade settlement. The debt must be rated at least AA- or the equivalent at the time of purchase by at least two NRSROs and rated no less by any NRSRO. The District shall limit investments to no more than 25% of the total portfolio and 5% per issuer.
- Repurchase Agreements collateralized by U.S. Treasury Securities with a maturity of 90 days or less.
- Commercial Paper with a maturity of 180 days or less which is rated at least A-1 by Standard & Poor's or P-1 by Moody's at the time of purchase.
- Bankers Acceptances issued to domestic banks with maturities not exceeding 180 days and the bank's deposits must be insured by the FDIC.
- Local Government Investment Pools as authorized under CRS 24-75-701 and 702.
- Money Market funds which have a rating of AAA by Standard and Poor's or AAA by Moody's.

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

As of December 31, 2023, investment credit ratings consisted of the following:

<b>Investment Type</b>	<b>Value</b>	<b>S&amp;P</b>	<b>Moody's</b>
Money Market Fund	\$ 84,497	-	-
Asset-Backed Securities	5,187,200	AA+	Aaa
Certificate of Deposit	2,540,797	A-1 to AA-	P-1 to Aa2
Corporate Bonds	6,603,572	A+ to AAA	A1 to Aaa
Municipal Bonds	2,287,106	AA- to AAA	Aa3 to Aaa
Supranational	1,313,351	AAA	Aaa
US Agency Securities	411,600	AA+	Aaa
US Treasury Securities	24,303,478	AA+	Aaa

### 5. CONCENTRATION OF CREDIT RISK

It is the policy of the District to diversify its investment portfolio. Assets held in investment shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue, or a specific class of securities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets. The District does not have any investment that represents 5% or more of the total investments to any one issuer as of December 31, 2023.

### 6. INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages interest rate risk by purchasing investments with varying maturities and continuously investing a portion of the portfolio in readily available funds.

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

### NOTE B – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance at January 1, 2023, as restated	Increases	Decreases/ Reclasses	Transfers	Balance at December 31, 2023
<b>Capital assets not being depreciated:</b>					
Construction in progress	\$ 16,913,176	\$ 10,767,004	\$ -	\$ (764,573)	\$ 26,915,608
Land improvements	36,649,793	-	-	(8,889)	36,640,904
Total capital assets not being depreciated	<u>53,562,969</u>	<u>10,767,004</u>	<u>-</u>	<u>(773,462)</u>	<u>63,556,512</u>
<b>Capital assets being depreciated:</b>					
Buildings	14,153,629	-	-	258,987	14,412,616
Improvements other than buildings	29,153,739	-	(98,679)	420,522	29,475,582
Machinery and equipment	5,552,825	213,087	(151,399)	93,953	5,708,466
Water and wastewater infrastructure	67,603,069	38,762	-	-	67,641,832
Total capital assets being depreciated	<u>116,463,262</u>	<u>251,850</u>	<u>(250,078)</u>	<u>773,462</u>	<u>117,238,496</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(4,551,665)	(271,066)	-	-	(4,822,730)
Improvements other than buildings	(21,018,913)	(10,256)	44,363	-	(20,984,806)
Machinery and equipment	(4,027,031)	(303,722)	151,399	-	(4,179,353)
Water and wastewater infrastructure	(35,685,903)	(1,690,077)	-	-	(37,375,980)
Total accumulated depreciation	<u>(65,283,511)</u>	<u>(2,275,120)</u>	<u>195,761</u>	<u>-</u>	<u>(67,362,870)</u>
Total capital assets being depreciated, net	<u>51,179,750</u>	<u>(2,023,270)</u>	<u>(54,317)</u>	<u>773,462</u>	<u>49,875,626</u>
Capital assets, net	<u>\$ 104,742,720</u>	<u>\$ 8,743,734</u>	<u>\$ (54,317)</u>	<u>\$ -</u>	<u>113,432,138</u>
Less: Accounts payable for capital assets					<u>(2,117,880)</u>
Net investment in capital assets					<u>\$ 111,314,258</u>

Depreciation expense that was charged to governmental activities functions is shown below:

Parks and open space	\$ 309,405
Mansion event operations	275,638
Water and wastewater operations	1,690,077
	<u>\$ 2,275,120</u>

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

### NOTE C – LONG-TERM LIABILITIES

The District’s long-term liabilities consist only of compensated absences which are paid by the general fund as the District currently has no long-term debt:

Balance on January 1, 2023	Additions	Reductions	Balance on December 31, 2023	Amount Due Within One Year
\$ 355,069	\$ 433,903	\$ (355,069)	\$ 433,903	\$ 36,310

### NOTE D – RETIREMENT PLANS

The District offers two retirement plans to employees, which are as follows:

#### 1. DEFINED CONTRIBUTION PLAN

Upon employment, all regular full-time employees of the District are enrolled in the Highlands Ranch Metropolitan District and Centennial Water and Sanitation District (CWSD) Plan (the "Plan"). The Plan is a 414(h) defined contribution plan which is overseen by a Retirement Board governed by the Director of Finance and Administration, two at-large citizens appointed by CWSD’s Board of Directors and the District’s Board of Directors, one employee representative elected by District staff and one employee elected by CWSD staff. The Retirement Board, among other things, is responsible for (a) the control and management of the Plan, (b) directing investments offered, (c) responsible for the general administration and proper operation of the Plan, (d) determine the procedures for making disbursements out of Plan funds, and (e) appoint, hire, retain and dismiss actuaries, administrators, investment advisors, investment institutions and attorneys of the Plan. The Retirement Board administers the Plan through Principal Financial Group, Inc (“Principal”).

Under the Plan, 6.2% of an employee’s eligible compensation, with an additional 6.2% contributed by the District, is withheld and remitted to Principal who holds the amounts in trusts for the exclusive benefit of the District employees and their beneficiaries. Plan benefits depend solely on amounts contributed to the Plan plus investment earnings/losses. Investment earnings or losses are incurred based on the individual employee’s chosen allocation of their retirement funds. Employees are immediately vested in their contributions and become fully vested in the District’s contributions upon the completion of three years of service, with employees receiving a partial vesting in the prior two years. District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's benefit obligations or to pay plan related expenses. There is no liability for benefits under the Plan beyond the District's matching contributions. The District contributed \$386,013 for the year ended December 31, 2023.

On December 31, 2023, there were 183 active plan members comprised of 85 full and part-time members employed by the District and 94 full and part-time members employed by CWSD.

#### 2. DEFERRED COMPENSATION PLAN

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (“457 Plan”). The amounts are held in third-party trusts by Principal for the exclusive benefit of the District employees and their beneficiaries. Participation in the 457 Plan is optional for all employees. The District’s matching structure is 100% on the first 3% of employee contributions and 50% on employee contributions up to a maximum of 6%; employees may contribute up to 9% of their wages. Employees are immediately vested in both their and the District’s contributions. Under the terms of the 457 Plan, contributions are available to participants upon termination, retirement, death or in the event of an unforeseeable emergency or other financial hardship. The District contributed \$305,725 for the year ended December 31, 2023.

### **NOTE E – COMMITMENTS**

The following are the District’s commitments as of December 31, 2023:

#### **1. HIGHLANDS RANCH SERVICE AGREEMENT**

In 1990, and last amended in 2018, the District entered into an intergovernmental agreement with the Centennial Water and Sanitation District (CWSD) whereby CWSD agrees to supply water and wastewater service’s to the District on a

modified “total service basis,” which generally means that the local water distribution and wastewater collections systems serving the District are owned by the District but that the operation, maintenance and billing services are provided by CWSD and paid for by the District through the water and wastewater service fees collected from end users. CWSD also agreed to construct and replace the District’s capital facilities needed and to develop, manage, and implement a planned capital replacement program for all water and wastewater facilities.

In exchange, the District agrees to pay a one-time Capacity Fee per tap, which is calculated by CWSD by July 1 of each year based on the methodology set forth in the Highlands Ranch Service Agreement. If such costs are greater than the Capacity Fees received, then CWSD has the right to impose a surcharge on the Capacity Fee. In addition, the District is responsible for paying for all water and wastewater services provided to them at the rates established by CWSD and approved by the District’s Board. Such rates may be adjusted by the District upon 90 days’ notice to the District or annually at its budget hearing. If the District is in default under the Highlands Ranch Service Agreement, CWSD may disconnect service after notice and a one-year cure period. While the Highlands Ranch Service Agreement expires on December 18, 2030, the District and CWSD fully intend to extend the agreement on similar terms for another approximately 40 years.

#### **2. EMPLOYEE, OFFICE SERVICES AND CAPITAL EQUIPMENT SHARING AGREEMENT**

In 1987, and amended in 2001, the District entered into a cost sharing agreement with CWSD where each party pays a portion of costs related to shared staffing, offices, and equipment used in operations. The Board of Directors of each District may in their sole discretion approve, modify (but only with the approval of the other Board of Directors), or disapprove the portions of the Budgets that apply to the agreement. If a Board of Directors of any party is of the opinion that its best interests are not being

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

served under this agreement, the party may terminate this agreement after a 90-day notice to the other parties. Within 30 days of the termination date, a final accounting shall be made to determine the actual total costs for the portion of the year that the agreement was in effect. The amounts owed to or by the terminating party shall be paid within 10 days from the date of the final accounting. Should a party incur additional costs to employees because of the termination of this agreement, the parties to the agreement shall share the additional costs equally.

### 3. CONSTRUCTION COMMITMENTS

In 2022, the District entered into a Guaranteed Maximum Price contract with Waner Construction, Inc for the construction of the Senior Center. The original contract price was \$15,400,093 which, due to change orders, has increased to \$16,158,578. The remaining amount to be appropriated to finalize the project is estimated to be \$100,000.

### NOTE F – LEASE AGREEMENTS

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transactions. The District leases land to third parties who use the land to construct cellular towers. The lease terms are for five years, with four options to extend an additional five years. Payments for a full 25-year term are set forth in the initial lease agreement. The leases were measured at an incremental borrowing rate as estimated by the District based on market conditions. Revenue recognized under the lease contracts for the year ended December 31, 2023, was \$1,472,926.

### NOTE G – INTERFUND

Transfers are used to move revenues from the fund in which the District budget requires collection to the fund required to expend the monies, and to move unrestricted revenues collected in the General Fund to finance various activities accounted for in other funds. Interfund entries are made between funds, usually when an expense in one fund is being paid by another fund. Interfund entries are required because each fund is a separate self-balancing set of accounts and, therefore, each fund must be in balance. The interfund entries use either the transfer or due to/due from accounts to balance the fund.

Interfund Receivable	Interfund Payable						Total
	General	Stormwater	Utility	Capital	Major Repair		
General	\$ -	\$ 68,744	\$ 25,190	\$ 2,237,342	\$ 595,393		2,926,669
Utility	360,520	-	-	-	-		360,520
Mansion	\$ 7,870	-	-	-	-		7,870
Nonmajor Governmental Funds	211,288	-	-	-	-		211,288
Total	\$ 579,678	\$ 68,744	\$ 25,190	\$ 2,237,342	\$ 595,393		3,506,347

Interfund Transfers In	Interfund Transfers Out					Total
	General	Stormwater	Utility	Mansion	Nonmajor Governmental Funds	
General		\$ 47,413	\$ 120,040	\$ 139,952	\$ -	307,405
Capital	6,549,401	1,569,979			140,000	8,259,380
Major Repair	2,016,565				109,270	2,125,835
Nonmajor Governmental Funds	1,294,317					1,294,317
Total	\$ 9,860,283	\$ 1,617,392	\$ 120,040	\$ 139,952	\$ 249,270	11,986,937

# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

### NOTE H – RISK MANAGEMENT

The District is exposed to various risks including loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters. In addition, the District is party to pending or threatened lawsuits under which it may be required to pay certain amounts upon final disposition of these matters. The District has historically retained these risks although it may be determined that commercial insurance is more cost beneficial or legally required.

As of December 31, 2023, the District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by an intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. The pool provides:

- Coverage for property claims up to \$100,000,000.
- Liability coverage for claims up to \$1,000,000.
- Workers' compensation claims which are covered up to statutory limits, with claims related to the employer's liability up to \$2,000,000.

Settled claims have not exceeded coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, and public officials. 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 that the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

### NOTE I – RESTATEMENT OF PRIOR YEARS' FINANCIAL STATEMENTS

#### 1. Leases

In prior years, the District, as lessor, did not properly report lease receivables and deferred inflows of resources in the fund financial statements as required under GASB 87, Leases. The District also did not properly amortize the deferred inflows over the life of the lease term, did not record accrued interest receivable, and had computational errors related to terms of its agreements which resulted in the lease receivable balance being understated. The financial statements have been restated to correct lessor reporting which resulted in an increase in beginning fund balance of the major repair fund and beginning government-wide net position at January 1, 2023 of \$920,254, each. There was no effect on net change in fund balance or change in net position for the year ended December 31, 2022.

Additionally, in prior years the District, as lessee, capitalized a lease that had a notice period of twelve months which should have been treated as a short-term lease in accordance with GASB 87 (i.e. expensed as incurred versus capitalized). Also, the lease asset and liability were reported in the general fund but should not have been due to the measurement focus of the fund financials (i.e. fund financials do not report long-term capital assets or long-term debt) and the



# Highlands Ranch Metropolitan District

## Notes to Financial Statements

December 31, 2023

lease asset was included in both other receivables and capital assets in the government-wide financial statements. The financial statements have been restated to correct lessee reporting. This adjustment did not impact beginning fund balance of the general fund at January 1, 2023 nor the change in fund balance for the year ended December 31, 2022. This adjustment did result in a decrease in beginning government-wide net position of \$417,533 and increased change in government-wide net position for the year ended December 31, 2022 by \$179,890.

### 2. Assets Held for Transfer

GASB standards define capital assets as assets that are (1) used in operations and (2) have an initial useful life in excess of one year. Public infrastructure built by the District and dedicated to other jurisdictions does not qualify as capital assets because it is not used in the District's operations and therefore should be reported as assets held for transfer in both the fund and government-wide financial statements. In prior years the District has included these assets in capital assets. Accordingly, the financial statements have been restated by increasing beginning fund balance at January 1, 2023 for the major repair fund by \$18,487,484. There was no impact on beginning net position at January 1, 2023 or change in net position in the government-wide financial statements for the year ended December 31, 2022.

### 3. Unearned revenues

In prior years, the District did not recognize revenues as soon as the underlying exchange transaction occurred for recreation services but rather recognized such amounts as unearned revenue. The financial statements have been restated to correct recreation services revenue relating to prior years. This adjustment increased the recreation fund's (a nonmajor special revenue fund) beginning fund balance and the beginning government-wide net position at January 1, 2023 by \$217,316 each, and increased net change in fund balance and change in government-wide net position for the year ended December 31, 2022 by \$37,620 each.

A large sign for Highlands Ranch featuring the word "HIGHLANDS" in white, bold, sans-serif capital letters on a reddish-brown curved background. To the right is a white eagle logo with wings spread. To the left is a stone pillar. The background is a clear blue sky.

**HIGHLANDS**

RANCH

# Required Supplementary Information



# Highlands Ranch Metropolitan District Budgetary Comparison Schedule

## General Fund

For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised
	Original	Revised		
<b>REVENUES</b>				
Property taxes	\$ 19,849,000	\$ 19,822,003	\$ 19,899,608	\$ 77,605
Specific ownership tax	1,597,000	1,855,750	1,872,283	16,533
Intergovernmental	682,405	692,795	692,690	(105)
Net investment income/(loss)	25,300	107,000	2,607,524	2,500,524
Other	147,000	192,400	186,767	(5,633)
Total Revenues	<u>22,300,705</u>	<u>22,669,948</u>	<u>25,258,873</u>	<u>2,588,925</u>
<b>EXPENDITURES</b>				
Operations & maintenance	10,447,207	10,261,207	9,367,271	893,936
Public works	1,105,010	1,115,720	1,200,917	(85,197)
General government	1,601,580	1,535,020	1,214,016	321,004
Finance and administration	1,146,245	1,032,550	992,260	40,290
Total Expenditures	<u>14,300,042</u>	<u>13,944,497</u>	<u>12,774,465</u>	<u>1,170,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,000,663</u>	<u>8,725,451</u>	<u>12,484,408</u>	<u>3,758,957</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in:	67,300	116,300	307,405	191,105
Transfers out:	(7,987,536)	(12,415,720)	(9,860,283)	2,555,437
Proceeds on disposal of assets	-	-	52,066	52,066
Total other financing sources/(uses)	<u>(7,920,236)</u>	<u>(12,299,420)</u>	<u>(9,500,813)</u>	<u>2,798,607</u>
Net change in fund balance	80,427	(3,573,969)	2,983,596	6,557,565
<b>FUND BALANCE - BEGINNING</b>	20,250,181	21,391,911	21,391,911	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 20,330,608</u>	<u>\$ 17,817,942</u>	<u>\$ 24,375,507</u>	<u>\$ 6,557,565</u>

# Highlands Ranch Metropolitan District

## Budgetary Comparison Schedule

### Stormwater Special Revenue Fund

For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised
	Original	Revised		
<b>REVENUES</b>				
Rate Income	\$ 901,000	\$ 857,000	\$ 917,187	\$ 60,187
Contribution Offsetting Capital Outlay	1,500,000	-	-	-
Net investment income	2,700	9,900	47,413	37,513
Total Revenues	<u>2,403,700</u>	<u>866,900</u>	<u>964,600</u>	<u>97,700</u>
<b>EXPENDITURES/OUTLAYS</b>				
Operations	272,855	255,855	236,099	19,756
Capital Outlay	2,900,000	80,000	-	80,000
Total expenditures/outlays	<u>3,172,855</u>	<u>335,855</u>	<u>236,099</u>	<u>99,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(769,155)</u>	<u>531,045</u>	<u>728,501</u>	<u>(2,056)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in:	-	-	-	-
Transfers out:	<u>(2,902,700)</u>	<u>(1,097,881)</u>	<u>(1,617,392)</u>	<u>(519,511)</u>
Total other financing sources/(uses)	<u>(2,902,700)</u>	<u>(1,097,881)</u>	<u>(1,617,392)</u>	<u>(519,511)</u>
Net change in fund balance	(3,671,855)	(566,836)	(888,891)	(521,567)
<b>FUND BALANCE - BEGINNING</b>	2,198,088	1,986,753	1,986,752	(1)
<b>FUND BALANCE - ENDING</b>	<u>\$ (1,473,767)</u>	<u>\$ 1,419,917</u>	<u>\$ 1,097,861</u>	<u>\$ (521,568)</u>

# Highlands Ranch Metropolitan District Budgetary Comparison Schedule

## Utility Special Revenue Fund

For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised
	Original	Revised		
<b>REVENUES</b>				
Development (tap) fees	\$ 1,107,745	\$ 425,180	\$ 764,550	\$ 339,370
Water and wastewater operations	45,365,000	39,710,000	39,496,010	(213,990)
Streetlight fees	1,260,000	1,180,000	1,293,530	113,530
Net investment income/(loss)	6,400	23,400	120,040	96,640
Total Revenues	<u>47,739,145</u>	<u>41,338,580</u>	<u>41,674,130</u>	<u>335,550</u>
<b>EXPENDITURES</b>				
Streetlight operations	1,229,000	1,379,000	1,323,723	55,277
Water and wastewater operations	45,365,000	39,710,000	39,496,010	213,990
Service agreement	274,891	274,891	274,891	-
Investment in reserved capacity	311,400	89,960	214,520	(124,560)
Total Expenditures	<u>47,180,291</u>	<u>41,453,851</u>	<u>41,309,144</u>	<u>144,707</u>
Excess (deficiency) of revenues over (under) expenditures	<u>558,854</u>	<u>(115,271)</u>	<u>364,986</u>	<u>190,843</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:	-	-	-	-
Transfers out:	<u>(6,400)</u>	<u>(23,400)</u>	<u>(120,040)</u>	<u>(96,640)</u>
Total other financing sources/(uses)	<u>(6,400)</u>	<u>(23,400)</u>	<u>(120,040)</u>	<u>(96,640)</u>
Net change in fund balance	552,454	(138,671)	244,946	94,203
<b>FUND BALANCE - BEGINNING</b>	3,671,317	2,908,346	4,682,028	1,773,682
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,223,771</u>	<u>\$ 2,769,675</u>	<u>\$ 4,926,973</u>	<u>\$ 1,867,885</u>

# Highlands Ranch Metropolitan District

## Budgetary Comparison Schedule

### Mansion Special Revenue Fund

For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised
	Original	Revised		
<b>REVENUES</b>				
Reservations	\$ 477,000	\$ 530,000	\$ 573,937	\$ 43,937
Programs	3,000	1,980	8,279	6,299
Cost of Sales	206,000	224,100	270,792	46,692
Net investment income/(loss)	10,700	41,300	123,552	82,252
Total Revenues	<u>696,700</u>	<u>797,380</u>	<u>976,560</u>	<u>179,180</u>
<b>EXPENDITURES</b>				
Operating	<u>801,875</u>	<u>790,125</u>	<u>713,624</u>	<u>76,501</u>
Total Expenditures	<u>801,875</u>	<u>790,125</u>	<u>713,624</u>	<u>76,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(105,175)</u>	<u>7,255</u>	<u>262,936</u>	<u>102,678</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:	-	-	-	-
Transfers out:	<u>(58,200)</u>	<u>(83,000)</u>	<u>(139,952)</u>	<u>(56,952)</u>
Total other financing sources/(uses)	<u>(58,200)</u>	<u>(83,000)</u>	<u>(139,952)</u>	<u>(56,952)</u>
Net change in fund balance	(163,375)	(75,745)	122,984	45,726
<b>FUND BALANCE - BEGINNING</b>	4,297,199	4,293,991	4,293,991	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 4,133,824</u>	<u>\$ 4,218,246</u>	<u>\$ 4,416,975</u>	<u>\$ 45,726</u>

A sign for 'HIGHLANDS' featuring a stone pillar on the left, a red arched background with the word 'HIGHLANDS' in white, and a white eagle logo on the right. The background of the entire image is a field of yellow sunflowers under a clear blue sky.

HIGHLANDS

# Combining and Individual Fund Statements and Schedules

**Highlands Ranch Metropolitan District**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
December 31, 2023

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>Conservation</b>	<b>Recreation</b>	<b>Water/Wastewater</b>	<b>Nonmajor</b>
	<b>Trust</b>		<b>Reserves</b>	<b>Governmental</b>
				<b>Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 78,688	\$ 2,576,482	\$ 2,655,170
Receivables	-	-	-	-
Due from other funds	193,759	17,529	-	211,288
Other	-	-	-	-
Restricted cash and investments	3,081,732	-	-	3,081,732
<b>Total assets</b>	<u>3,275,491</u>	<u>96,217</u>	<u>2,576,482</u>	<u>5,948,189</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	-	11,364	-	11,364
Due to other funds	-	-	-	-
Accrued liabilities	-	73,299	-	73,299
Customer deposits payable	-	48	-	48
Unearned revenue	-	11,505	-	11,505
<b>Total liabilities</b>	<u>-</u>	<u>96,217</u>	<u>-</u>	<u>96,217</u>
<b>FUND BALANCES</b>				
Restricted				
Parks and recreation	3,275,491	-	-	3,275,491
Committed				
Capital and major repair projects	-	-	75,941	75,941
Assigned				
Capital and major repair projects	-	-	2,500,540	2,500,540
<b>Total fund balances</b>	<u>3,275,491</u>	<u>-</u>	<u>2,576,482</u>	<u>5,851,973</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,275,491</u>	<u>\$ 96,217</u>	<u>\$ 2,576,482</u>	<u>\$ 5,948,189</u>



# Highlands Ranch Metropolitan District

## Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

For the Year Ended December 31, 2023

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Conservation	Recreation	Water/Wastewater	
	Trust		Reserves	
<b>REVENUES</b>				
Parks and recreation	\$ -	\$ 1,454,911	\$ -	\$ 1,454,911
Senior services	-	37,587	-	37,587
Colorado lottery proceeds	702,531	-	-	702,531
Net investment income (loss)	167,950	-	57,096	225,046
<b>Total Revenues</b>	<u>870,482</u>	<u>1,492,498</u>	<u>57,096</u>	<u>2,420,075</u>
<b>EXPENDITURES</b>				
Parks and open space	-	879,890	-	879,890
Recreation services	-	1,282,078	-	1,282,078
Senior services	-	199,259	-	199,259
Capital:				
Major repair and renovation	217,624	-	-	217,624
<b>Total Expenditures</b>	<u>217,624</u>	<u>2,361,226</u>	<u>-</u>	<u>2,578,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>652,858</u>	<u>(868,728)</u>	<u>57,096</u>	<u>(158,775)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:	-	651,413	642,904	1,294,317
Transfers out:	(249,270)	-	-	(249,270)
<b>Total other financing sources (uses)</b>	<u>(249,270)</u>	<u>651,413</u>	<u>642,904</u>	<u>1,045,047</u>
Net change in fund balances	403,588	(217,315)	700,000	886,272
Fund balances, January 1, before restatement	2,871,903	-	1,876,482	4,748,385
Adjustment for correction of error	-	217,316	-	217,316
Fund balances, January 1, after restatement	<u>2,871,903</u>	<u>217,316</u>	<u>1,876,482</u>	<u>4,965,700</u>
Fund balances - ending	<u>\$ 3,275,491</u>	<u>\$ -</u>	<u>\$ 2,576,482</u>	<u>\$ 5,851,973</u>

**Highlands Ranch Metropolitan District**  
**Budgetary Comparison Schedule**  
**Conservation Trust Fund**  
For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised
	Original	Revised		
<b>REVENUES</b>				
Colorado lottery	\$ 538,000	\$ 644,000	\$ 702,531	\$ 58,531
Net investment income/(loss)	7,300	25,100	167,950	142,850
Total Revenues	<u>545,300</u>	<u>669,100</u>	<u>870,482</u>	<u>201,382</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>622,000</u>	<u>246,065</u>	<u>217,624</u>	<u>28,441</u>
Total Expenditures	<u>622,000</u>	<u>246,065</u>	<u>217,624</u>	<u>28,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,700)</u>	<u>423,035</u>	<u>652,858</u>	<u>229,823</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:	-	-	-	-
Transfers out:	<u>(385,000)</u>	<u>(140,000)</u>	<u>(249,270)</u>	<u>(109,270)</u>
Total other financing sources/(uses)	<u>(385,000)</u>	<u>(140,000)</u>	<u>(249,270)</u>	<u>(109,270)</u>
Net change in fund balance	(461,700)	283,035	403,588	120,553
<b>FUND BALANCE - BEGINNING</b>	1,852,526	2,071,904	2,871,903	799,999
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,390,826</u>	<u>\$ 2,354,939</u>	<u>\$ 3,275,491</u>	<u>\$ 920,552</u>

**Highlands Ranch Metropolitan District**  
**Budgetary Comparison Schedule**  
**Recreation Special Revenue Fund**  
For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised
	Original	Revised		
<b>REVENUES</b>				
Programs, recreation and parks	\$ 1,598,525	\$ 1,239,880	\$ 1,454,911	\$ 215,031
Senior services	23,800	13,636	\$ 37,587	23,951
Total Revenues	<u>1,622,325</u>	<u>1,253,516</u>	<u>1,492,498</u>	<u>238,982</u>
<b>EXPENDITURES</b>				
Programs, recreation and parks	2,319,422	2,251,912	2,161,967	89,945
Senior services	587,766	277,424	199,259	78,165
Total Expenditures	<u>2,907,188</u>	<u>2,529,336</u>	<u>2,361,226</u>	<u>168,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,284,863)</u>	<u>(1,275,820)</u>	<u>(868,728)</u>	<u>70,872</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:	1,284,863	1,275,820	651,413	(624,407)
Transfers out:			-	-
Total other financing sources/(uses)	<u>1,284,863</u>	<u>1,275,820</u>	<u>651,413</u>	<u>(624,407)</u>
Net change in fund balance	-	-	(217,315)	(553,535)
<b>FUND BALANCE - BEGINNING, AS RESTATED</b>	-	-	217,316	217,316
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (336,220)</u>

**Highlands Ranch Metropolitan District**  
**Budgetary Comparison Schedule**  
**Capital Projects Fund**  
For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised Positive (Negative)
	Original	Revised		
<b>REVENUES</b>				
System Development Fees	\$ 450,000	\$ 509,408	\$ 373,987	\$ (135,421)
Contribution Offsetting Capital Outlay	-	-	127,283	127,283
Net investment income	50,400	261,500	660,599	399,099
Total Revenues	500,400	770,908	1,161,869	390,961
<b>EXPENDITURES/OUTLAYS</b>				
Facility Plan Capital Outlay	265,055	227,837	207,752	20,085
Community Enhancements Capital Outlay	18,823,480	10,658,714	9,007,070	1,651,644
Other (Non-Capital)	-	-	-	-
Total Expenditures	19,088,535	10,886,551	9,214,822	1,671,729
Excess (deficiency) of revenues over (under) expenditures	(18,588,135)	(10,115,643)	(8,052,953)	2,062,690
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in:	6,685,000	8,297,981	8,259,380	(38,601)
Transfers out:	-	-	-	-
Total other financing sources/(uses)	6,685,000	8,297,981	8,259,380	(38,601)
Net change in fund balance	(11,903,135)	(1,817,662)	206,427	2,024,089
<b>FUND BALANCE - BEGINNING</b>	27,574,984	27,234,100	27,234,101	1
<b>FUND BALANCE - ENDING</b>	\$ 15,671,849	\$ 25,416,438	\$ 27,440,528	\$ 2,024,090

**Highlands Ranch Metropolitan District**  
**Budgetary Comparison Schedule**  
**Major Repair Fund**  
For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised Positive (Negative)
	Original	Revised		
<b>REVENUES</b>				
Cell site leases	\$ 1,010,000	\$ 1,316,615	\$ 1,472,926	\$ 156,311
Contribution offsetting capital outlay	-	-		-
Net investment income	11,100	49,100	155,384	106,284
Total Revenues	<u>1,021,100</u>	<u>1,365,715</u>	<u>1,628,309</u>	<u>262,594</u>
<b>EXPENDITURES</b>				
Major repair	3,701,765	3,315,891	2,330,948	984,943
Vehicle and equipment replacement	392,673	172,900	204,871	(31,971)
Total Expenditures	<u>4,094,438</u>	<u>3,488,791</u>	<u>2,535,819</u>	<u>952,972</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,073,338)</u>	<u>(2,123,076)</u>	<u>(907,510)</u>	<u>1,215,566</u>
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in:	2,602,673	3,369,900	2,125,835	(1,244,065)
Transfers out:	-	-	-	-
Total other financing sources/(uses)	<u>2,602,673</u>	<u>3,369,900</u>	<u>2,125,835</u>	<u>(1,244,065)</u>
Net change in fund balance	(470,665)	1,246,824	1,218,325	(28,499)
<b>FUND BALANCE - BEGINNING, AS RESTATED</b>	<u>5,788,684</u>	<u>5,924,782</u>	<u>25,403,192</u>	<u>19,478,410</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 5,318,019</u>	<u>\$ 7,171,606</u>	<u>\$ 26,621,517</u>	<u>\$ 19,449,911</u>

**Highlands Ranch Metropolitan District**  
**Budgetary Comparison Schedule**  
**Water and Sewer Reserve Fund**  
For the Year Ended December 31, 2023

	2023 Budget		2023 Actual	Variance to Revised Positive (Negative)
	Original	Revised		
<b>REVENUES</b>				
Contribution Offsetting Capital Outlay	\$ -	\$ -	\$ -	\$ -
Net investment income/(loss)	-	6,900	57,096	50,196
Total Revenues	-	6,900	57,096	50,196
<b>EXPENDITURES</b>				
Water Line Replacement	1,200,000	-	-	-
Total Expenditures	1,200,000	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(1,200,000)	6,900	57,096	50,196
<b>OTHER FINANCING SOURCES/(USES)</b>				
Transfers in:	700,000	700,000	642,904	(57,096)
Transfers out:	-	-	-	-
Total other financing sources/(uses)	700,000	700,000	642,904	(57,096)
Net change in fund balance	(500,000)	706,900	700,000	(6,900)
<b>FUND BALANCE - BEGINNING</b>	1,876,482	1,876,482	1,876,482	-
<b>FUND BALANCE - ENDING</b>	\$ 1,376,482	\$ 2,583,382	\$ 2,576,482	\$ (6,900)

A large sign for Highlands Ranch. The sign features a brick pillar on the left, a red curved top, and the words "HIGHLANDS" in white block letters on a dark background. To the right of the sign is a white sculpture of a bird with its wings spread. The background is a clear blue sky.

HIGHLANDS

RANCH

# Statistical Section

# Statistical Section

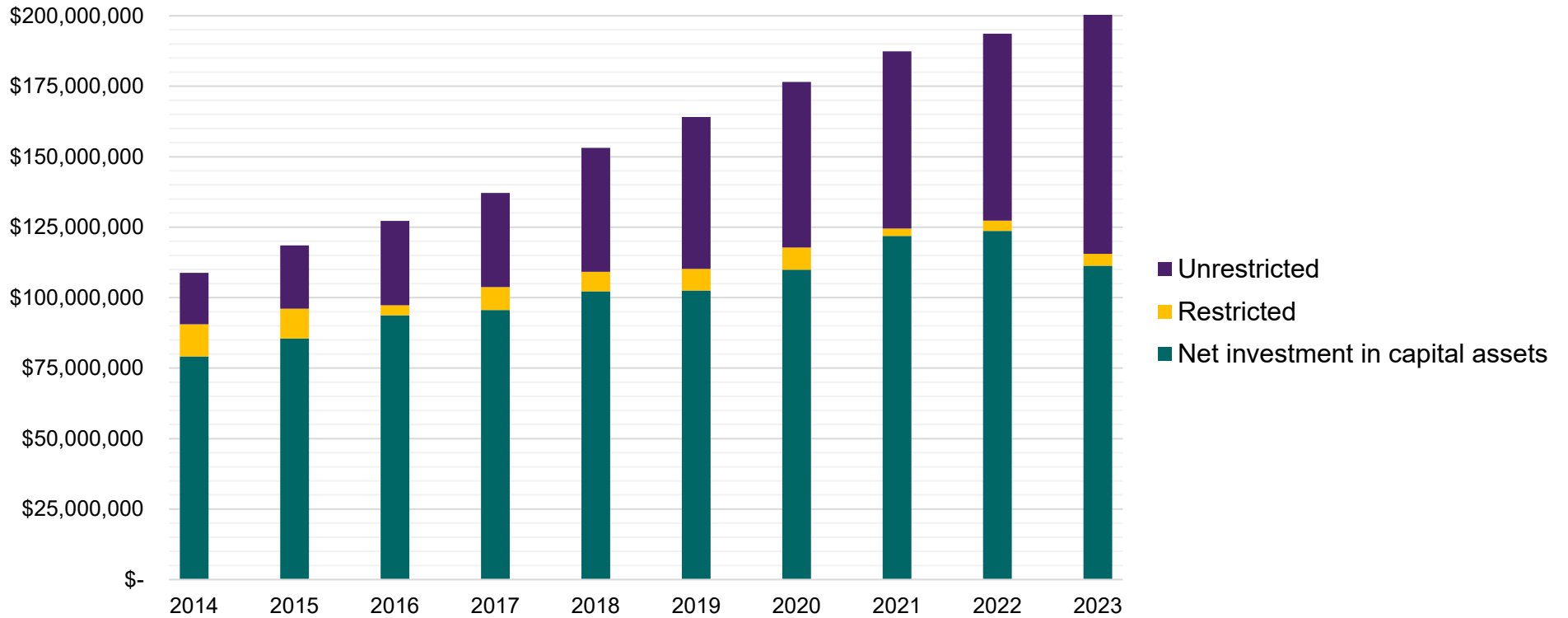
This section of the Highlands Ranch Metropolitan District Comprehensive Annual Financial Report presents detailed data as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

<u>Content</u>	<u>Tables &amp; Charts</u>	<u>Pages</u>
<b>FINANCIAL TRENDS</b> These tables and charts contain trend information to help the reader understand how the District’s financial condition has changed over time.	A1 – A5	36-41
<b>REVENUE CAPACITY</b> These tables and charts contain information to help the reader assess the District’s largest revenue source.	B1 – B4	42-45
<b>DEBT CAPACITY</b> These tables and charts present information to help the reader assess the affordability of the District’s historical levels of outstanding debt and the District’s ability to issue debt in the future.	C1-C2	46-47
<b>DEMOGRAPHIC &amp; ECONOMIC INFORMATION</b> These tables and charts offer demographic and economic indicators to help the reader understand the environment that the District’s financial activities take place within.	D1-D2	48-49
<b>OPERATING INFORMATION</b> These tables and charts contain service data to help the reader understand how information in the financial report relates to the services the District provides and the activities it performs.	E1	50



**Table A-1 Net Position by Component**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net investment in capital assets	\$ 79,196,482	\$ 85,523,946	\$ 93,783,969	\$ 95,646,229	\$ 102,297,682	\$ 102,497,282	\$ 109,950,447	121,924,827	123,647,157	\$ 111,314,258
Restricted for:										
Emergency reserves	561,000	530,000	412,000	785,000	760,000	552,000	645,000	395,000	798,000	961,231
Parks and recreation	1,612,558	1,912,044	2,476,958	3,007,342	1,385,853	1,649,935	1,758,983	2,202,398	2,871,903	3,275,491
Debt Service	9,196,477	8,152,237	625,741	4,278,172	4,740,629	5,465,482	5,457,565	-	-	-
Unrestricted	18,231,557	22,415,774	29,922,310	33,425,152	43,986,567	53,878,214	58,727,932	62,886,318	66,308,228	92,178,588
Total net position	\$ 108,798,074	\$ 118,534,001	\$ 127,220,978	\$ 137,141,895	\$ 153,170,731	\$ 164,042,913	\$ 176,539,927	\$ 187,408,543	\$ 193,625,288	\$ 207,729,568

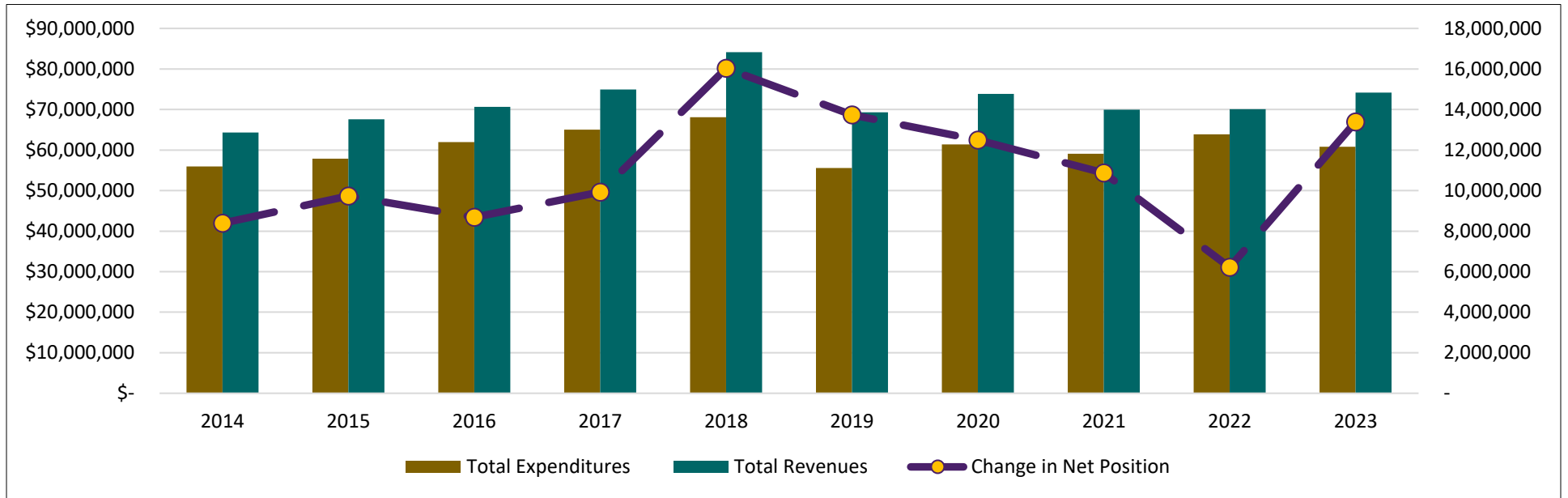


## Table A-2 Change in Net Position

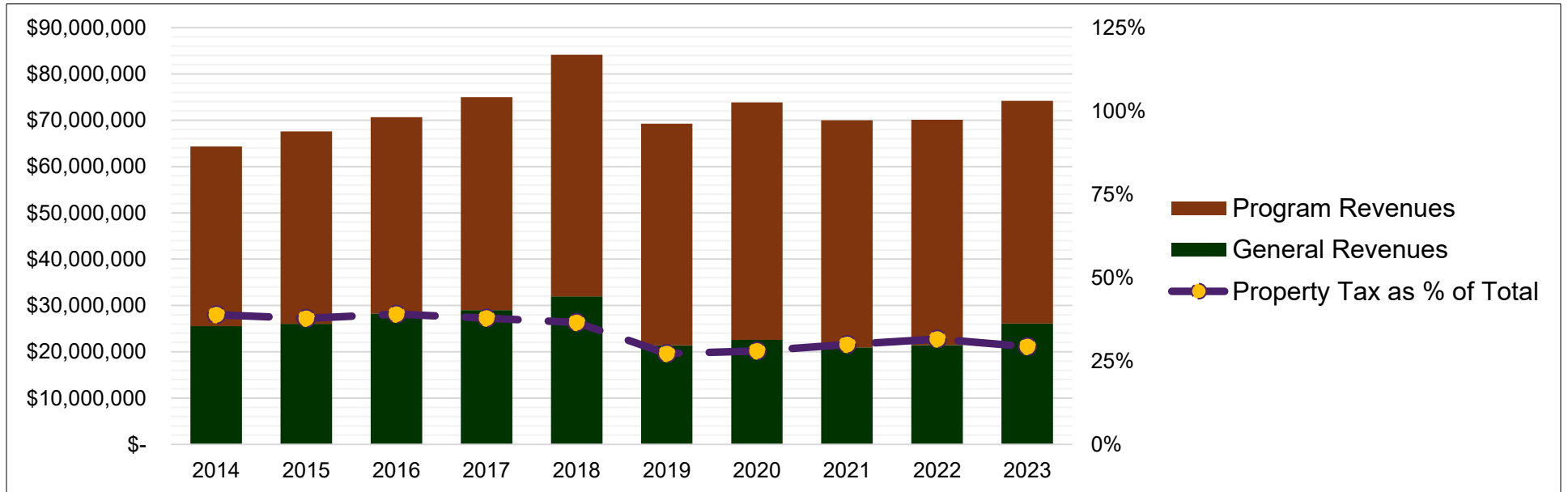
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>EXPENSES</b>										
Governmental Activities:										
General government	\$ 2,092,514	\$ 2,095,072	\$ 2,150,671	\$ 2,141,593	\$ 2,424,163	\$ 2,895,769	\$ 2,749,535	\$ 1,915,136	\$ 2,834,702	\$ 2,251,163
Public Safety	7,174,233	7,764,336	8,209,592	9,496,956	9,101,571	13,510	12,380	306,180	16,744	5,325
Public Works	859,597	780,214	754,766	811,057	841,755	886,784	971,946	843,464	666,319	1,168,684
Streetlights	1,373,169	1,450,533	1,208,848	1,408,707	1,138,135	1,142,622	1,192,452	1,236,934	1,202,882	1,323,723
Parks, open space & recreation	9,789,182	10,466,601	10,632,651	11,230,809	13,091,021	11,695,986	11,448,873	11,254,107	12,315,761	13,141,246
Cultural	690,234	777,930	774,605	861,440	944,990	841,166	756,241	799,379	827,224	989,262
Water and wastewater operations	31,512,290	32,504,644	36,862,402	38,554,433	40,018,837	37,597,289	43,825,713	42,408,250	46,008,004	41,911,597
Interest on long term debt	2,455,638	2,020,179	1,385,959	521,963	536,138	481,964	416,391	345,756	-	-
Total governmental activities expenses	55,946,857	57,859,509	61,979,494	65,026,957	68,096,610	55,555,090	61,373,532	59,109,205	63,871,636	\$ 60,791,000
<b>PROGRAM REVENUES</b>										
Charges for services										
Water and wastewater operations	27,451,048	28,789,563	31,927,850	31,950,804	34,394,092	35,064,777	40,480,618	39,833,112	40,979,784	39,496,010
General Fund operations										
General government	544,653	586,902	539,085	777,887	694,497	735,641	713,424	665,113	589,842	452,667
Public works	1,235,494	1,416,999	1,370,359	1,302,630	1,556,073	2,080,755	1,914,998	2,247,852	1,716,636	2,470,652
Public safety	41,694	13,767	24,476	-	-	-	-	-	-	-
Streetlights	1,163,641	1,355,021	1,441,425	1,452,173	1,456,098	1,470,363	1,464,833	1,292,616	1,285,373	1,293,530
Parks, open space & recreation	1,505,838	1,692,172	1,517,055	1,508,465	3,461,651	1,775,849	1,026,098	1,284,684	1,324,733	1,492,498
Cultural	424,348	580,559	570,017	679,340	575,529	684,621	133,246	334,423	701,356	853,008
Capital grants and contributions										
Tap fees	3,068,780	3,095,135	1,470,610	3,582,280	3,631,880	3,111,680	3,032,040	2,104,620	699,660	764,550
System development fees	2,620,591	3,019,829	1,420,565	2,294,482	4,294,725	1,672,544	1,011,493	466,375	307,745	373,987
Conservation Trust Fund	458,543	468,436	553,043	500,312	524,645	580,820	535,673	633,903	632,204	702,531
Capital contributions	81,159	140,000	50,380	160,250	998,699	85,000	160,000	8,000	180,000	38,762
Donated assets	196,743	376,104	1,485,811	1,727,411	551,502	628,127	811,345	176,954	193,026	127,283
Total governmental activities revenues	38,792,532	41,534,487	42,370,676	45,936,034	52,139,391	47,890,177	51,283,768	49,047,652	48,610,359	48,065,478
<b>CHANGE IN NET POSITION</b>										
<b>Governmental Activities</b>	(17,154,325)	(16,325,022)	(19,608,818)	(19,090,924)	(15,957,219)	(7,664,913)	(10,089,764)	(10,061,553)	(15,261,277)	(12,725,522)
<b>GENERAL REVENUES</b>										
Property taxes	25,015,160	25,555,782	27,613,074	28,398,826	30,725,902	18,868,797	20,675,020	20,958,305	22,126,140	21,771,891
Net investment income/(loss)	351,194	285,670	512,243	472,219	1,161,434	2,265,996	1,784,896	(148,758)	(855,933)	3,939,557
Other	179,936	219,497	170,478	140,796	98,717	259,833	126,861	120,622	207,815	398,317
Total general revenues	25,546,290	26,060,949	28,295,795	29,011,841	31,986,053	21,394,626	22,586,777	20,930,169	21,478,022	26,109,765
<b>SPECIAL ITEM</b>										
Transfer of fire operations	-	-	-	-	-	(2,857,530)	-	-	-	-
<b>TOTAL CHANGE IN NET POSITION</b>	8,391,965	9,735,927	8,686,977	9,920,917	16,028,834	13,729,713	12,497,013	10,868,616	6,216,745	13,384,243
<b>NET POSITION - BEGINNING</b>	100,406,109	108,798,074	118,534,001	127,220,978	137,141,895	153,170,729	164,042,912	176,539,927	187,408,543	\$ 193,625,288
<b>NET POSITION - AFTER RESTATEMENT</b>										\$ 194,345,325
<b>NET POSITION - ENDING</b>	\$ 108,798,074	\$ 118,534,001	\$ 127,220,978	\$ 137,141,895	\$ 153,170,729	\$ 164,042,912	\$ 176,539,927	\$ 187,408,543	\$ 193,625,288	\$ 207,729,569

## Charts A-2 Change in Net Position

### Total Revenues and Expenditures



### Program and General Revenues



**Table A-3 Fund Balances, Governmental Funds- Last Ten Years**

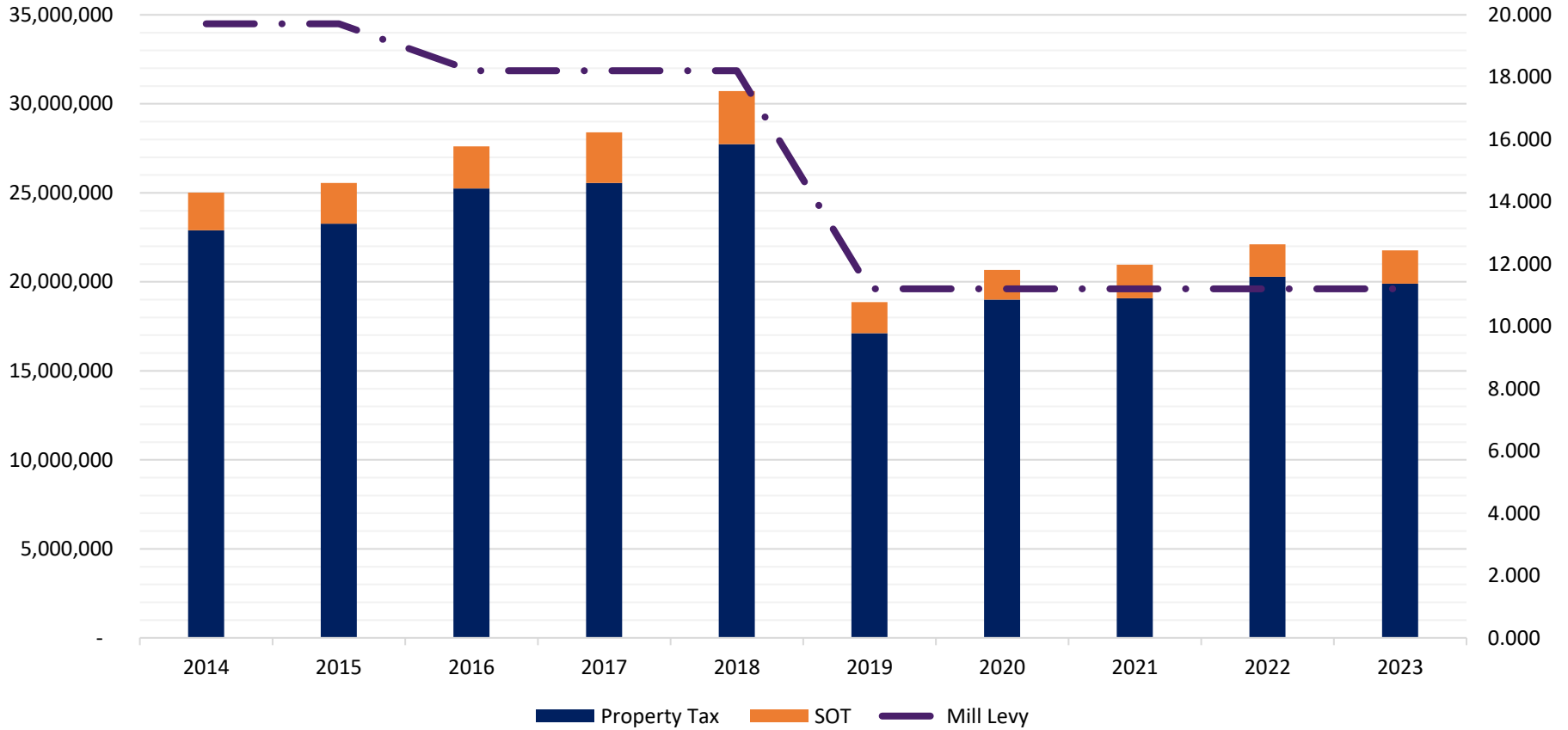
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>GENERAL FUND</b>										
Nonspendable										\$ 17,390
Restricted	\$ -	\$ 530,000	\$ 412,000	\$ 785,000	\$ 760,000	\$ 552,000	\$ 575,000	\$ 395,000	798,000	961,231
Committed	1,141,398	1,298,266	1,007,119	1,103,798	1,320,736	1,548,722	1,863,580	220,456	1,986,753	-
Unassigned	14,898,929	14,902,707	16,256,814	16,250,248	19,067,023	16,099,638	19,909,782	13,663,148	20,593,911	23,396,885
Total General Fund	<u>16,040,327</u>	<u>16,730,973</u>	<u>17,675,933</u>	<u>18,139,046</u>	<u>21,147,759</u>	<u>18,200,360</u>	<u>22,348,362</u>	<u>14,278,604</u>	<u>23,378,664</u>	<u>24,375,507</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Nonspendable										\$ 18,500,054
Restricted	10,942,558	10,162,044	3,156,715	7,329,723	6,165,565	7,149,249	7,245,019	2,202,398	2,871,903	3,275,491
Committed										
Utility Special Revenue fund	4,785,516	5,656,723	3,878,410	2,395,844	2,230,433	4,661,583	7,630,147	7,278,259	4,682,028	1,218,764
Capital Projects fund	465,234	1,337,820	636,445	3,879,466	1,690,610	1,073,308	5,381,399	1,518,630	16,751,181	11,174,319
Other Governmental funds	4,786,687	4,840,787	4,904,274	5,172,898	4,684,000	7,389,871	4,422,253	7,202,054	6,688,196	4,480,926
Assigned										
Capital Projects fund	6,740,154	5,766,329	13,367,737	15,037,209	25,591,453	27,076,340	28,584,483	27,026,413	10,482,920	24,399,663
Other Governmental funds	2,227,028	2,844,945	2,362,536	2,102,732	1,961,154	8,648,486	3,658,125	4,759,657	5,478,309	7,306,610
Total all other governmental funds	<u>29,947,177</u>	<u>30,608,648</u>	<u>28,306,117</u>	<u>35,917,872</u>	<u>42,323,215</u>	<u>55,998,837</u>	<u>56,921,426</u>	<u>49,987,412</u>	<u>46,954,537</u>	<u>70,355,827</u>
<b>TOTAL ALL FUNDS</b>	<u>\$ 45,987,504</u>	<u>\$ 47,339,621</u>	<u>\$ 45,982,050</u>	<u>\$ 54,056,918</u>	<u>\$ 63,470,974</u>	<u>\$ 74,199,197</u>	<u>\$ 79,269,788</u>	<u>\$ 64,266,016</u>	<u>\$ 70,333,201</u>	<u>94,731,334</u>

**Table A-4 Changes in Fund Balances Governmental Funds- Last Ten Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>REVENUES</b>										
Property taxes	\$ 25,015,160	\$ 25,555,782	\$ 27,613,074	\$ 28,398,826	\$ 30,725,902	\$ 18,868,797	\$ 20,675,020	\$ 20,958,305	\$ 22,126,140	\$ 21,771,891
System Development fees	2,620,591	3,019,829	1,420,565	2,294,481	4,294,725	1,672,544	1,011,493	466,375	307,745	373,987
Tap fees	3,068,780	3,095,135	1,470,610	3,582,280	3,631,880	3,111,680	3,032,040	2,104,620	699,660	764,550
Water/wastewater	27,451,048	28,789,563	31,927,850	31,950,804	34,394,092	35,064,777	40,480,618	39,833,112	40,979,784	39,496,010
Streetlight fees	1,163,641	1,355,021	1,441,425	1,452,171	1,456,098	1,470,363	1,464,833	1,292,616	1,285,373	1,293,530
Stormwater fees	725,968	734,611	740,973	784,678	829,140	889,103	893,801	904,349	909,214	917,187
Conservation Trust Fund	458,543	468,436	553,043	500,312	524,645	580,820	861,909	1,548,656	1,964,101	702,531
Cell Site Leases										1,472,926
Program Fees	1,819,939	1,885,624	1,837,352	2,020,035	1,868,678	2,045,711	535,673	633,903	632,204	1,492,498
Mansion Operations										853,008
Intergovernmental	626,666	771,518	614,905	815,166	2,807,354	1,093,268	956,202	741,638	659,960	692,690
Net investment income (loss)	351,194	285,670	512,243	472,219	1,161,434	2,265,996	1,784,896	(148,758)	(855,933)	3,939,557
Contributions	81,159	140,000	50,380	160,250	998,699	85,000	160,000	8,000	180,000	127,283
Other	759,391	1,118,143	998,240	789,240	881,295	1,508,617	1,202,715	1,458,051	1,007,108	186,767
Total Revenues	64,142,080	67,219,332	69,180,660	73,220,462	83,573,942	68,656,676	73,059,200	69,800,867	69,895,356	74,084,415
<b>EXPENDITURES</b>										
General government	2,131,940	2,081,299	2,134,933	2,131,317	2,401,689	2,886,609	2,706,416	2,342,272	2,834,702	2,206,276
Public Safety	8,414,917	9,051,875	9,231,499	10,704,073	9,970,298	1,156,132	1,204,832	1,341,524	16,744	1,329,048
Parks and open space	7,664,304	8,069,845	8,198,521	8,366,074	10,685,061	8,871,021	8,980,565	9,004,534	11,293,179	11,735,779
Recreation services	870,743	883,744	942,020	1,523,413	1,014,693	1,142,311	917,615	983,396	1,202,882	1,282,078
Cultural	463,732	545,093	481,376	538,608	645,073	601,203	516,278	476,547	6,136	713,623
Public Works	612,498	666,454	573,737	624,465	676,602	715,180	780,732	747,289	666,319	1,195,592
Stormwater management	142,818	108,108	179,633	192,185	159,131	168,459	189,143	118,508	169,715	236,099
Water operations	19,081,069	19,981,342	22,597,760	22,391,288	24,503,256	24,048,223	29,076,106	27,338,205	27,690,647	25,266,714
Wastewater operations	8,369,979	8,808,221	9,330,090	9,559,516	9,890,836	11,016,554	11,404,512	12,494,907	13,289,137	14,229,297
Reserved capacity	2,645,632	2,295,310	3,488,508	5,120,020	4,115,252	1,008,272	1,813,004	1,090,054	3,276,232	489,411
Debt service - principal	9,350,404	9,770,000	7,135,000	-	3,455,000	3,540,000	3,615,000	19,190,000	-	-
Debt service - interest	2,545,976	2,103,320	1,304,580	536,400	536,400	474,210	410,490	345,420	-	-
Bond Issuance costs	-	-	73,604	-	-	-	-	-	-	-
Capital outlay & Leases	2,943,191	2,063,606	4,937,916	3,458,234	6,106,598	2,300,280	6,373,913	7,790,922	5,211,801	10,678,905
Total Expenditures	65,237,203	66,428,217	70,609,177	65,145,593	74,159,889	57,928,454	67,988,606	83,263,578	65,657,494	69,362,822
Excess of revenues over/(under) expenditures	(1,095,123)	791,115	(1,428,517)	8,074,869	9,414,053	10,728,222	5,070,594	(13,462,710)	4,237,862	4,721,593
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer in:	6,910,229	4,196,717	(3,744,627)	5,993,501	5,725,120	10,514,307	3,620,260	14,414,109	3,897,512	11,986,937
Transfer out:	(6,910,229)	(4,196,717)	3,744,626	(5,993,501)	(5,725,120)	(10,514,307)	(3,620,260)	(14,414,109)	(3,897,512)	(11,986,937)
Proceeds from bonds issued	-	-	29,800,000	-	-	-	-	-	-	-
Refunded escrow agent	-	-	(29,729,054)	-	-	-	-	-	-	-
Proceeds from disposal of assets										52,066
Total other financing sources (uses)	-	-	70,945	-	-	-	-	-	-	52,066
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (1,095,123)</b>	<b>\$ 791,115</b>	<b>\$ (1,357,572)</b>	<b>\$ 8,074,869</b>	<b>\$ 9,414,053</b>	<b>\$ 10,728,222</b>	<b>\$ 5,070,594</b>	<b>\$ (13,462,710)</b>	<b>\$ 4,237,862</b>	<b>\$ 4,773,659</b>

**Table A-5 Tax Revenues by Source, Governmental Funds- Last Ten Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Property Tax	22,898,399	23,271,839	25,240,106	25,555,431	27,737,316	17,116,130	19,006,925	19,084,799	20,288,772	20,192,178
Specific Ownership Tax	2,116,761	2,283,942	2,372,968	2,843,395	2,988,586	1,752,667	1,668,095	1,873,506	1,826,893	1,872,283
Total Tax Collections	25,015,160	25,555,782	27,613,074	28,398,826	30,725,902	18,868,797	20,675,020	20,958,305	22,115,665	22,064,461

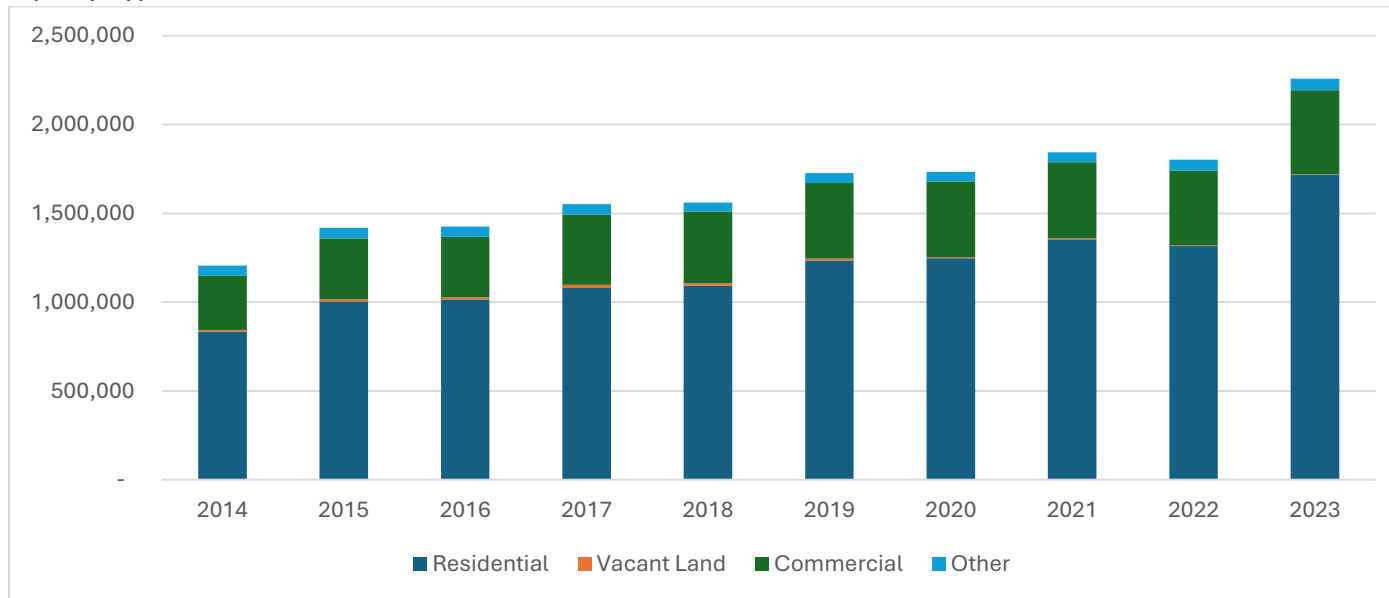


**Table B-1 Assessed Value and Actual Value of Taxable Property- Last Ten Years**

Assessment Year*	Residential	Commercial	Commercial Personal Property	Vacant Land	Other	Total Assessed Value	District Mill Levy	Total Actual Value	Ratio of Assessed to Actual Value	Annual Increase/ (Decrease) in Actual Value
2014	833,591,020	242,784,670	61,369,820	10,514,010	56,728,790	1,204,988,310	19.713	11,751,646,069	10.25%	1.54%
2015	1,003,448,250	274,626,450	67,464,200	13,121,170	58,756,360	1,417,416,430	18.205	14,033,712,023	10.10%	19.42%
2016	1,014,925,740	273,176,560	66,442,310	12,750,670	58,510,070	1,425,805,350	18.205	14,167,343,204	10.06%	0.95%
2017	1,079,801,740	330,363,310	65,084,660	17,105,550	60,002,090	1,552,357,350	18.205	16,623,700,399	9.34%	17.34%
2018	1,091,918,930	336,748,950	67,469,600	13,899,110	49,848,840	1,559,885,430	11.205	16,775,181,850	9.30%	0.91%
2019	1,234,743,190	350,814,380	73,813,870	11,305,070	55,205,430	1,725,881,940	11.205	18,963,021,790	9.10%	13.04%
2020	1,247,475,970	349,372,680	77,036,630	4,745,200	55,148,350	1,733,778,830	11.205	19,124,112,197	9.07%	0.85%
2021	1,353,241,260	361,184,020	66,927,580	6,227,550	56,092,290	1,843,672,700	11.205	20,617,536,888	8.94%	7.81%
2022	1,315,057,480	356,058,870	65,051,440	4,681,050	61,266,760	1,802,115,600	11.205	20,631,403,774	8.73%	0.07%
2023	1,715,013,960	396,751,580	78,680,660	3,171,810	64,316,220	2,257,934,230	10.110	27,543,281,841	8.20%	33.50%

\*The Assessment Year is the year that the assessed value is based upon; taxes for the assessment year are collected in the next year.

**Assessed Value by Property Type**



**Table B-2 Property Tax Levies and Collections, Governmental Funds**

Collection Year	District Mill Levy	Assessed Valuation	Total Base Collections	Collections within the Fiscal Year of the Levy		Net Collections/ (Rebates) in Subsequent Years	Total Net Collections	
				Amount	% of Levy		Amount	% of Levy
2014	19.713	1,196,798,991	23,592,499	\$ 22,898,399	97.06%	\$ (32,017)	\$ 22,866,382	96.92%
2015	19.713	1,204,988,310	23,753,935	23,271,839	97.97%	(19,934)	23,251,905	97.89%
2016	18.205	1,417,416,430	25,804,066	25,240,106	97.81%	(17,037)	25,223,070	97.75%
2017	18.205	1,425,805,350	25,956,786	25,555,431	98.45%	(10,886)	25,544,545	98.41%
2018	18.205	1,552,357,350	28,260,666	27,737,316	98.15%	(8,878)	27,728,438	98.12%
2019	11.205	1,559,885,430	17,478,516	17,116,130	97.93%	(8,756)	17,107,374	97.88%
2020	11.205	1,725,881,940	19,338,507	19,006,925	98.29%	(6,440)	19,000,485	98.25%
2021	11.205	1,733,778,830	19,426,992	19,084,799	98.24%	(5,186)	19,079,613	98.21%
2022	11.205	1,843,672,700	20,658,353	20,288,772	98.21%	(6,440)	20,282,332	98.18%
2023	11.205	1,802,115,600	20,192,705	20,192,178	100.00%	N/A	20,192,178	100.00%

Notes:

1. The mill levy is the tax rate applied per \$1,000 of assessed valuation
2. Source information is from the Douglas County Assessor's Office
3. Collection year is one year subsequent to the assessment year



**Table B-3 Property Tax Rates- Direct and all Overlapping Governments**

Assessment Year	DISTRICT			OVERLAPPING ENTITIES							Total All
	General Fund	Debt Service	Total	Douglas County						Total	
				Douglas County	DC Law Enforcement	DC Library	DC School District	Urban Drainage & Flood Control	South Metro Fire Rescue		
2014	12.842	6.871	19.713	19.774	4.500	4.029	48.277	0.672	0.000	77.252	96.965
2015	12.842	6.871	19.713	19.774	4.500	4.032	48.277	0.700	0.000	77.283	96.996
2016	12.805	5.400	18.205	19.274	4.500	4.016	41.064	0.620	0.000	69.474	87.679
2017	15.330	2.875	18.205	19.774	4.500	4.021	38.996	0.557	0.000	67.848	86.053
2018	8.600	2.605	11.205	19.774	4.500	4.008	44.950	0.820	9.250	83.302	94.507
2019	8.905	2.300	11.205	19.274	4.500	4.023	43.839	0.997	9.250	81.883	93.088
2020	8.905	2.300	11.205	19.274	4.500	4.012	43.504	1.000	9.250	81.540	92.745
2021	8.905	2.300	11.205	18.524	4.500	4.021	43.797	1.000	9.319	81.161	92.366
2022	11.205	0.000	11.205	18.524	4.500	4.008	42.836	1.000	9.288	80.156	91.361
2023	10.110	0.000	10.110	19.774	4.500	3.513	45.934	1.000	9.250	83.971	94.081

Notes:

1. Assessed valuation amounts do not include HB 1006 assessed valuation due to ne growth
2. The mill levy is the tax rate applied per \$1,000 of assessed valuation

**Table B-4 Significant Taxpayers within the District**

	Customer	Business Type	2023		2014	
			Assessed Value	% of Total Taxable Assessed Value	Assessed Value	% of Total Taxable Assessed Value
1	REDWOOD ERC LITTLETON LLC (WINDCREST)	Senior Living	\$ 16,816,650	0.7%		
2	PLAZA DRIVE PROPERTIES LLC	Offices	16,485,970	0.7%		
3	VISA USA INC	Offices	13,623,630	0.6%	4	5,231,150 0.4%
4	MLATL FAMILY LLP	Offices	13,410,370	0.6%	8	4,635,900 0.4%
5	PALOMINO (BLUE RIVER)	Apartments	10,271,100	0.5%	5	4,635,900 0.4%
6	HRTC I LLC	Retail	10,206,360	0.5%	2	6,600,950 0.5%
7	PALOMINO (GREEN RIVER)	Apartments	9,559,380	0.4%	7	4,304,770 0.4%
8	LPF LEGACY AT HIGHLANDS RANCH	Apartments	8,764,940	0.4%		
9	HIGHLANDS RANCH 1668 LLC	Retail	8,086,830	0.4%	6	4,453,430 0.4%
10	CENTRAL PARK AT HIGHLANDS RANCH	Apartments	8,057,760	0.4%		
	ALCATEL - LUCENT TECHNOLOGIES	Offices			1	15,070,300 1.3%
	CPF HIGHLANDS RANCH LLC	Retail			3	5,827,100 0.5%
	WALMART	Retail			8	4,165,140 0.3%
	CC DENVER INC	Senior Living			9	3,957,350 0.3%
	EQR HIGHLANDS RANCH LLC	Apartments			10	3,930,170 0.3%
	SUB TOTAL		115,282,990	5.1%		62,812,160 2.8%
	ALL OTHERS		2,142,651,240	94.9%		1,142,176,970 94.8%
	<b>TOTAL</b>		<b>2,257,934,230</b>	<b>100.00%</b>		<b>1,204,989,130 100.00%</b>

Source: Douglas County Assessor

**Table C-1 Ratio of General Bonded Debt to Assessed Value and Debt per Capita**

Collection Year	Gross GO Bonded Debt Outstanding	Less Debt Service Fund Balance	Net GO Bonded Debt Outstanding	RATIO OF GROSS GO DEBT			RATIO OF NET GO DEBT		
				To Collection Year Assessed Value	To Collection Year Actual Value	Per Capita	To Assessed Value	To Actual Value	Per Capita
2014	\$ 46,635,000	\$ 9,330,000	\$ 37,305,000	3.87%	0.40%	475	3.10%	0.32%	380
2015	36,865,000	8,252,200	28,612,800	2.60%	0.26%	398	2.02%	0.20%	309
2016	29,800,000	679,757	29,120,243	2.09%	0.21%	318	2.04%	0.21%	311
2017	29,800,000	4,322,381	25,477,619	1.92%	0.18%	305	1.64%	0.15%	260
2018	26,345,000	4,692,897	21,652,103	1.69%	0.16%	281	1.39%	0.13%	231
2019	22,805,000	3,540,000	19,265,000	1.32%	0.12%	229	1.12%	0.10%	193
2020	19,190,000	3,615,000	15,575,000	1.11%	0.10%	186	0.90%	0.08%	151
2021	-	-	-	0.00%	0.00%	-	0.00%	0.00%	-
2022	-	-	-	0.00%	0.00%	-	0.00%	0.00%	-
2023	-	-	-	0.00%	0.00%	-	0.00%	0.00%	-

Notes:

1. Assessed value and Actual value information is found on Table B-1; collection year is one year later.
2. Population estimates are found on Table D-1.
3. Colorado Statutes require that Special District debt cannot exceed 50% of Assessed Value unless certain other requirements are met and the debt is registered with the State Securities Division.
4. Colorado Statutes require the District to appropriate funds on annual basis for capital leases therefore capital leases are not considered ratios.
5. All outstanding District debt was retired in 2021.

**Table C-2 Computation of Overlapping and District Debt and Related Debt Ratios**

Name of Overlapping Entity (1)	Total 2024 Assessed Valuation (3)	Outstanding General Obligation Debt	Allocable to the District	
			Percentage	Amount
<b>Overlapping Debt</b>				
Douglas County School District	\$ 10,292,323,249	\$ 332,620,000	21.94%	\$ 72,970,316
Hunting Hill Metro District	9,823,170	7,075,000	100.00%	7,075,000
<b>Total Overlapping Debt (2)</b>				<b>80,045,316</b>
<b>Direct Debt - Highlands Ranch Metro District</b>				
General Obligation	2,257,934,230	-	100.00%	-
Leases subject to annual appropriation	2,257,934,230	-	100.00%	-
<b>Total Direct Debt</b>				<b>-</b>
<b>Total Overlapping and Direct Debt</b>				<b>\$ 80,045,316</b>
<b>ESTIMATED POPULATION</b>				<b>102,246</b>
<b>ESTIMATED CURRENT MARKET VALUATION</b>				<b>\$ 20,631,403,774</b>
<b>RATIOS</b>				
Direct Debt to Assessed Valuation				0.00%
Direct Debt to Market Valuation				0.00%
Direct plus Overlapping Debt to Assessed Valuation				3.55%
Direct plus Overlapping Debt to Market Valuation				0.39%
Direct Debt Per Capita				-
Direct Plus Overlapping Debt Per Capita				\$ 783

**Notes:**

1. The following entities also overlap the District but have no outstanding general obligation debt: Regional Transportation District, Urban Drainage and Flood Control District, Douglas County and Douglas County Law Enforcement
2. The percentage of each overlapping entity's outstanding debt attributable to each District is calculated by determining the proportionate amount of that entity that overlaps that District.
3. Based upon statutory "assessed" and "actual" valuation per Douglas County Assessor as of November 2023, collected in 2024

\*Source: Douglas County Assessor; Douglas County School District Audited Financials; Hunting Hill Metro District 2024 Budget

**Table D-1 Douglas County, Colorado- Demographic Statistics**

Year	Estimated Population Highlands Ranch	DOUGLAS COUNTY, COLORADO							
		Estimated Population	Personal Income (\$1,000)	Personal Income Per Capita	Median Age	Average Household Size	Public School Enrollment	School Enrollment to Population	Unemployment Rate
2014	98,078	314,783	19,900,804	67,166	36.9	2.82	67,000	21.3%	4.5%
2015	92,560	322,333	21,713,011	68,921	37.2	2.84	66,702	20.7%	2.6%
2016	93,700	328,680	22,558,704	69,879	37.6	2.76	66,896	20.4%	2.8%
2017	97,811	336,347	24,637,968	71,101	38.9	2.75	67,740	20.1%	2.6%
2018	93,607	343,780	27,021,840	76,125	38.1	2.81	67,597	19.7%	3.4%
2019	99,717	351,842	28,072,588	77,986	38.1	2.79	67,591	19.2%	2.8%
2020	103,444	360,750	39,933,420	81,637	38.5	2.52	67,305	18.7%	6.3%
2021	104,717	368,990	29,776,147	87,841	39.3	2.75	62,979	17.1%	5.2%
2022	102,246	369,286	32,412,414	90,341	39.3	2.70	63,876	17.3%	2.3%
2023	102,531	381,500	37,286,156	99,168	39.7	2.72	62,341	16.3%	3.0%

Notes: The Highlands Ranch Metropolitan District is located within Douglas County. Demographic data, other than population estimates, for the District is not calculated, however the county data is generally representative of the District.

**Table D-2 Douglas County, Colorado- Principal Employers**

2023				2014		
Employer	Rank	Employee Count	% of Total	Rank	Employee Count	% of Total
Douglas County School District	1	8,500	4.41%	1	5,863	4.87%
Charles Schwab	2	3,450	1.79%			
DISH Network	3	2,500	1.30%			
Centura Health	4	1,970	1.02%	7	980	0.81%
Healthone: Sky Ridge Medical	5	1,470	0.76%	4	1,170	0.97%
Douglas County Government	6	1,453	0.75%	6	1,061	0.88%
Kiewit Companies	7	1,400	0.73%			
VISA Debit Processing Services	8	1,180	0.61%			
Lockheed Martin Corporation	9	1,010	0.52%			
Specialized Loan Servicing LLC	10	820	0.43%			
Jacobs Engineering (formerly CH2M Hill)				2	1,980	1.65%
Echostar Communications				3	1,960	1.63%
Western Union				5	1,140	0.95%
The Trizetto Group				8	900	0.75%
Information Handling Systems				9	810	0.67%
AVAYA				10	650	0.54%
<b>Total for Principal Employers</b>		<b>23,753</b>	<b>12.3%</b>		<b>16,514</b>	<b>13.7%</b>
<b>Total Employment in Douglas County</b>		<b>192,563</b>			<b>120,280</b>	
<b>Total Labor Force in Douglas County</b>		<b>200,745</b>				

Source: Douglas County, Colorado 2022 Annual Comprehensive Financial Report

**Table E-1 Operating Information**

<b>TOTAL EMPLOYEES</b>										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Parks, open space & recreation	64.50	67.00	67.00	68.00	66.00	66.00	66.00	66.00	66.00	68.00
General government	9.80	9.80	9.80	10.80	10.80	11.30	9.80	9.80	9.80	9.80
Public Works	5.75	5.75	5.75	3.30	3.30	3.30	6.00	6.00	6.00	6.00
Cultural	4.45	4.45	4.45	4.45	4.45	4.40	4.40	4.40	4.40	5.00
Temporary (FTE)	10.30	10.75	10.75	11.05	11.05	11.05	11.05	11.05	11.05	11.05
<b>Total</b>	<b>94.80</b>	<b>97.75</b>	<b>97.75</b>	<b>97.60</b>	<b>95.60</b>	<b>96.05</b>	<b>97.25</b>	<b>97.25</b>	<b>97.25</b>	<b>99.85</b>
<b>CAPITAL ASSETS</b>										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>BUILDINGS</b>										
Service Center	1	1	1	1	1	1	1	1	1	1
Highlands Ranch Mansion	1	1	1	1	1	1	1	1	1	1
Fire Stations - directly owned	2	2	2	2	2	N/A	N/A	N/A	N/A	N/A
Fire Stations - owned in partnership	1/3	1/3	1/3	1/3	1/3	N/A	N/A	N/A	N/A	N/A
<b>PARKS (in acres)</b>										
Neighborhood	114	114	114	114	114	114	123	123	123	123
Community	94	94	94	94	97	97	150	150	150	150
Playgrounds	21	21	21	21	21	21	21	21	21	21
Adult Outdoor Fitness	-	-	-	-	-	-	-	-	0.04	0.04
Parkway Landscape	291	292	292	292	292	292	285	285	285	285
Open space parcels	2,266	2,266	2,266	2,577	2,577	2,577	2,644	2,644	2,644	2,644
<b>TRAILS (miles)</b>										
Walking/biking (paved only)	39	39	39	40	40	40	40	40	40	40
<b>OPERATING STATISTICS</b>										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Field Permit Hours	31,167	28,419	28,855	28,800	28,632	28,632	28,107	26,329	27,306	25,912
Shelter Reservations	1,134	1,082	1,050	1,000	1,005	1,180	657	1,398	1,052	1,091
Recreation Program Participation	16,167	13,880	12,700	12,416	11,496	10,625	4,036	9,936	8,652	9,496
Fire & Emergency Response	4,028	4,260	4,883	5,070	4,930	N/A	N/A	N/A	N/A	N/A

\*Services provided by contract

A large sign for Highlands Ranch. The sign features the word "HIGHLANDS" in white, bold, sans-serif capital letters on a dark red, curved background. To the right of the text is a white silhouette of a bird with its wings spread. To the left of the sign is a stone pillar. The background is a clear blue sky.

**HIGHLANDS**

**Report on Internal Control Over  
Financial Reporting and on  
Compliance and Other Matters**





## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Independent Auditor's Report**

Board of Directors  
Highlands Ranch Metropolitan District  
Highlands Ranch, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Highlands Ranch Metropolitan District (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, and have issued our report thereon dated August 21, 2024, which contained a paragraph emphasizing a matter regarding certain error corrections in the December 31, 2022 financial statements.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider to be a material weakness.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Highland Ranch Metropolitan District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Forvis Mazars, LLP**

Denver, Colorado  
August 21, 2024



# Schedule of Findings and Responses



Highlands Ranch Metropolitan District  
Schedule of Findings and Responses  
Year Ended December 31, 2023

---

Reference  
Number

Finding

---

2023-001

**Finding: Restatement of Prior Year Financial Statements and  
Material Audit Adjusting Entries**

**Criteria or Specific Requirement:** Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data. Specifically, the District should have controls in place to ensure new accounting standards issued by the Governmental Accounting Standards Board (GASB) are properly adopted and all transactions are recorded in accordance with applicable accounting standards/guidance.

**Condition:** The following issues were noted during the 2023 audit, causing the prior period's financial statements to be restated:

- a) The District adopted GASB 87, *Leases* in 2021 and leases as both lessee and lessor were recorded. The following was noted with regards to each:
  - i. *Leases as Lessee* – the District incorrectly recorded a lease that met the definition of a short-term lease and thus should not have been capitalized. The lease asset and liability was reported in the general fund as an other receivable and other payable; however, fund financial statements are reported on a current measurement focus and long-term capital assets and long-term debt are not to be recorded in the fund financial statements. In addition, the lease asset was also recorded as a capital asset in the government-wide financial statements resulting in it being reported in two different asset line items (receivables and capital assets). This resulted in a restatement of the general fund and government-wide financials.
  - ii. *Leases as Lessor* – the District did not record the lease receivable and deferred inflows of resources in the fund financials in accordance with the standard. In addition, the lease receivable and deferred inflow of resources balances equaled; however, the standard requires the deferred inflows to be amortized in a systematic manner over the term of the lease. Furthermore, the standard requires accrued interest be recorded and none was reported. There were also errors identified in the terms used in the lease calculations which resulted in the lease receivable being understated. This resulted in a restatement of the major repair fund and government-wide financials.

**Reference  
Number**

**Finding**

- 
- b) The District reported unearned revenues in the recreation fund; however, based on reconciliations performed, reports from the RecTrac System and discussions with management it was determined that all recreation programs end by November and registration for the following year does not open until January. All unearned revenue should have either been recognized as 2023 revenue or recognized in prior years. An audit entry was recorded by management to recognize 2023 revenue for amounts received and services provided in 2023 and a restatement to recognize revenue for amounts received and services provided for in years prior to 2023.
  - c) GASB standards define capital assets as assets that are (1) used in operations and (2) have an initial useful life in excess of one year. Public infrastructure built by the District and dedicated to other jurisdictions do not qualify as capital assets because they are not used in the District's operations. In 2023, the District corrected its method of accounting for these assets by reporting them as assets held for transfer in the major repair fund. In addition, these assets were moved from capital assets not being depreciated to assets held for transfer in the government-wide statement of net position.

In addition, the following audit entries and financial statement presentation items were identified, causing the financial statements to be adjusted:

- d) The District is responsible for collecting utility billings from its constituents. There were two audit entries proposed and recorded related to utility billings:
  - i. Accounts receivable entries for amounts in the stormwater and utility fund were posted backwards in the amounts of \$60,000 and \$108,000, respectively.
  - ii. Accounts receivable billed but not collected as of year-end was not reported by the District as a receivable from constituents and a payable to Centennial Water & Sanitation District. An audit entry for \$2,985,482 was proposed and recorded by management.
- e) The District uses a benefit payable clearing accounts to track amounts collected for benefits to be transferred at a future date. The clearing account should have a zero balance at year-end but did not. An audit entry of \$282,518 was proposed and recorded by management.
- f) The District collects money on behalf of the Highlands Ranch Park and Recreation Foundation. The payable to the Foundation was recorded as both an other accrued liability and accounts payable. An audit entry was proposed and recorded by management for \$49,741 to report one liability to the Foundation.
- g) Net investments in capital assets calculation was required to be updated to include \$2.1 million of accounts payable for capital in the calculation.
- h) Receivables and payables between funds of \$3.5 million were reported as part of cash and cash equivalents and a presentation change was made to report these amounts as their own financial statement line item in the fund financial statements.

**Reference  
 Number**

**Finding**

**Causes:**

- a) Management misapplied the application of GASB 87 during the implementation of the standard in that lease terms were not assessed properly and the calculations prepared by management to assist in the recording of lease activity did not incorporate all required elements of the standard (*i.e.*, amortization of deferred inflows and recording of accrued interest receivables).
- b) The recreation services are paid for and tracked in a third party system and the system is set up on a cash basis versus an accrual basis. There were no underlying reports from the third-party system that could be provided that supported the balance recorded and account reconciliations prepared by management did not support the balance initially recorded in the general ledger as unearned revenues.
- c) Management was not aware the assets held for transfer did not meet the definition of a capital asset as defined by GASB.
- d.i, e & f) The District does not have a comprehensive year-end checklist. As such, account reconciliations were either not prepared for these accounts and/or journal entry review did not identify that the recorded journal entries were posted improperly in the system.
- d.ii) The District has an intergovernmental agreement with Centennial Water and Sanitation District (CWSD) in which CWSD prepares the billings and the District is responsible for collecting the amounts due from its constituents and passing those collections through to CWSD. Each month the revenues and expenses are recorded at the time billing is ran; however, management did not consider recording a receivable from constituents and payable to CWSD for items which had been billed prior to year-end but had not been collected.
- g & h) Management was not aware of the associated GASB implementation guidance to include construction type payables in the presentation of net investment in capital assets or the guidance that when cash is pooled and the pool functions as a line of credit for funds and allows funds to overdraw their equity in the pool, the overdrawn fund should report its position in the pool as a liability vs negative cash and the other fund would have to reclass its portion of equity as a receivable.

**Effect:** The financial statements have been restated to correct the errors above which resulted in an increase in beginning fund balance at January 1, 2023 of \$19,407,738 for the major repair fund, \$217,316 for the recreation services fund (nonmajor special revenue fund) and a net increase of beginning government-wide net position at January 1, 2023 of \$720,037. The restatements also increased change in fund balance of the recreation services fund and change in government-wide net position for the year ended December 31, 2022 by \$37,620 and \$217,510, respectively. Additionally, adjusting journal entries identified during the audit of approximately \$3.5 million and presentation changes totaling approximately \$5.6 million were proposed and made by management.

---

**Reference  
Number**

**Finding**

---

**Recommendation:** With new accounting pronouncements becoming effective in subsequent years, we recommend that the District strengthen controls over this process to ensure new pronouncements are adopted properly. We also recommend management review the structure of the services and reports from third-party service providers to help ensure the services being received line up with District operations and that management obtain an understanding of available reports to help reconcile related activities. Finally, we recommend management strengthen controls around reconciliations and journal entry reviews to ensure all transactions are recorded properly and in compliance with accounting standards. This could include memorializing a year-end checklist to ensure all required reconciliations are performed and journal entries are recorded in the correct period.

**Views of Responsible Officials:** We agree with the auditors' recommendations, and the following action will be taken to improve the situation. We will have management attend trainings, annually, on new pronouncements with how to properly adopt them. We will reach out to third-party service providers by the end of the fourth quarter of 2024 to identify and understand reports needed for reconciling operating activities and future audits. Lastly, we will create a year-end checklist by the end of the fourth quarter of 2024 to ensure all necessary journal entries and reconciliations are performed as scheduled.



**HIGHLANDS RANCH**  
**Metro District**



**HIGHLANDS RANCH METROPOLITAN DISTRICT**

**62 PLAZA DRIVE**

**HIGHLANDS RANCH, CO, 80129**