



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2019



Prepared by:
Department of Finance & Administration
Highlands Ranch, Colorado

**HIGHLANDS RANCH METROPOLITAN DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Year Ended December 31, 2019**

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June 28, 2020

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

We are pleased to present the comprehensive annual financial report ("CAFR") of Highlands Ranch Metropolitan District ("District") for the year ended December 31, 2019.

This report was prepared by the Finance and Administration Department in conformance with the standards and requirements of the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the Government Finance Officers Association, District resolutions and State statutes. State law requires that the District publish within seven months of year-end a complete set of audited financial statements audited by a firm of licensed certified public accountants.

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. 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. Disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

The financial statements have been audited by ACM LLP ("ACM"), a firm of licensed certified public accountants. ACM has issued an unmodified opinion that the District's financial statements for the year ended December 31, 2019 are presented fairly. The independent auditor's report is located at the front of the financial section of the report. ACM is in the first year of performing the audit. The Board reviews proposals from accounting firms every five years although there is no mandatory rotation.

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

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 29,100 single family homes, 7,400 multi-family units and over 1,100 acres of developed commercial property.

The District was created at an election held in 2006 when the voters of four smaller Metro Districts (Highlands Ranch Metropolitan District 1, 2, 3 and 4), each serving portions of the Highlands Ranch community, voted to consolidate the outstanding debt and the municipal-type services provided by each of the respective districts into Highlands Ranch Metropolitan District No. 3, which was then renamed Highlands Ranch Metropolitan District (the “District”). The statistical section for the financials have been updated whenever possible to reflect historical data as though the Districts had been consolidated for the entire period shown.

The District provides a range of municipal type services including construction of arterial roadways, 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 by another distinct special district – Centennial Water and Sanitation District. 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 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 even numbered years. As a result of recent legislation over the next two election cycles these elections will transition to 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 three non-statutory departments, headed by appointed department heads: Parks, Recreation and Open Space, Public Works and Finance and Administration.

The financial reporting entity for the CAFR is Highlands Ranch Metropolitan District as legally defined. The District has no component units (legally separate entities for which the primary government is financially accountable).

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

Revenue Base

The District has three primary revenue sources for funding:

- General operation and maintenance expenses and debt service are primarily funded from property taxes.
- Capital projects are primarily funded from development fees.
- Special revenues, derived from fees, fund recreation services, stormwater management, streetlight, 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 significant opportunities for commercial and retail growth.

The property tax reassessment, completed in 2017 by the Douglas County assessor, was the basis for property tax revenue collections in 2019. The 2017 property tax reassessment resulted in an 8.9% increase in assessed value. The graph below shows the history on assessed value for Highlands Ranch.



The following table summarizes both 2019 and 2018 as well as historic growth patterns:

	New properties				
	Residential		Nonresidential		Total
	Units	SDF \$	Acres	SDF \$	SDF \$
2019	236	\$ 1,672,544	0	\$ -	\$ 1,672,544
2018	402	2,563,547	50	1,731,178	4,294,725
3 year average	380	2,108,471	19	645,445	2,753,917
5 year average	317	1,912,986	19	622,442	2,535,429
10 year average	321	1,968,024	14	604,292	2,572,316

Overall, 2019 experienced a decrease in System Development Fee Collection for residential and nonresidential compared to 2018. Slow but steady residential growth continues to contribute development fees and other fee revenues to the system to help offset the associated costs. In late 2016 construction began on the final significant commercial area in Highlands Ranch which includes a large hospital, retail, apartments and single family homes. At the end of 2019 the retail and hospital were completed as well as a significant portion of the single family homes. The apartments are set to open in 2020.

Long-term financial planning and Fund Balance

The Board annually reviews the strategic plan for the District. This includes a detailed Operations and Debt Management Plan as well as a capital outlay plan.

A key component in meeting the objective of the strategic plan is Board adopted policies related to the maintenance of year-end fund balances. This driving factor in the long range plan prior to 2016, which was set by the Board, was to be in a position to retire all debt 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. 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 IGA with Centennial wherein the cost of shared employees are reimbursed. The 2019 year-end fund balance continues significantly over the target of 40% at approximately 132% of the 2020 budgeted operating expenditures, down from 163% in 2018. The reason for the decrease is primarily due to a transfer from the General Fund to the Major Repair Fund for the renovation of the Service Center. Future model projections are based on the anticipation that this will continue to be drawn down through 2027.

Debt Service Fund: The Board had established, with the adoption of the 2020 budget, a target of a year-end fund balance to be equal to 100% of the principal payment for the following year.

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 either Capital Projects identified in the District’s Facility Plan or to maintain the Board directed required Debt Service fund balances.

Capital Improvement Planning

The District prepares a comprehensive Capital Improvements 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
- 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 and other employment 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 of employee contributions to the 457 plan up to a maximum of 4%.

The District is a member of the Colorado Employer Benefit Trust (CEBT) that provides a medical, dental, vision, and short-term disability and life insurance benefits. The health insurance plans allow retirees who have reached age 50 and 15 years of service to retire and stay in the plan until age 65. All premiums are the responsibility of the retired employee. At December 31, 2019 there is one past employee taking advantage of the benefit.

MAJOR INITIATIVES

The District began construction on a new community park in 2017 that will be completed in 2020. During the 2016 Board retreat several new capital projects were identified including the new community park located in the center of the last significant mixed use development. Other projects from the workshop including a Senior Center continue to be investigated by staff.

Maintenance projects that include parkway fence repair and replacement and stormwater management 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 ACKNOWLEDGMENTS

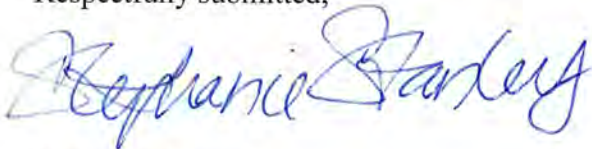
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Highlands Ranch Metropolitan District for its comprehensive annual financial report for the year ended December 31, 2018. One or more of the pre-consolidated Highlands Ranch Metropolitan Districts has received the Certificate of Achievement for the twenty-third consecutive year.

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, and we are submitting it to GFOA to determine eligibility for another certificate.

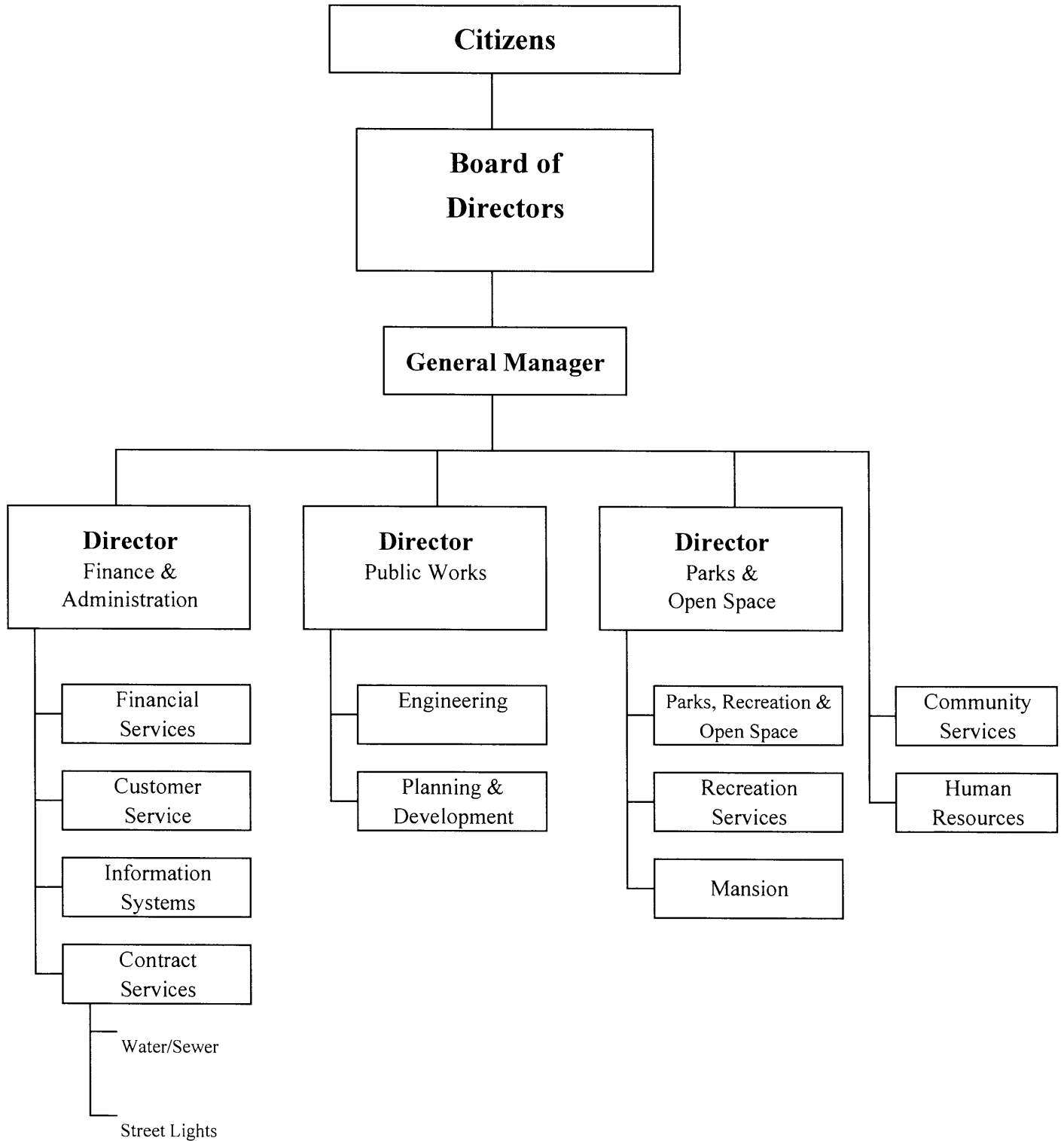
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. 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,



Stephanie Stanley
Director, Finance and Administration

Highlands Ranch Metropolitan District



HIGHLANDS RANCH METROPOLITAN DISTRICT
HIGHLANDS RANCH, COLORADO

BOARD OF DIRECTORS AND DISTRICT OFFICIALS

BOARD OF DIRECTORS
AS OF DECEMBER 31, 2019

Jim Worley	CHAIR	May 2018 to May 2022
Vicky Starkey	VICE-CHAIR	May 2016 to May 2020
Allen Dreher	TREASURER	May 2018 to May 2022
Renee Anderson		May 2016 to May 2020
Mark Dickerson		May 2018 to May 2022
Carolyn Schierholz		May 2018 to May 2022
Nancy Smith		May 2016 to May 2020

APPOINTED DISTRICT OFFICIALS

GENERAL MANAGER	Terry Nolan
DIRECTOR, FINANCE & ADMINISTRATION	Stephanie Stanley
DIRECTOR, PUBLIC WORKS	Jeff Case
DIRECTOR, PARKS AND OPEN SPACE	Carrie Ward



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Highlands Ranch Metropolitan District
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

Board of Directors
Highlands Ranch Metropolitan District
Highlands Ranch, Colorado

Report on the Financial Statements

We have audited the accompanying 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements.

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Highlands Ranch Metropolitan District, as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Utility Special Revenue Fund and Mansion Special Revenue for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

The COVID-19 outbreak in 2020 (see Note IV E) has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and pension schedules on pages III through XVI be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highlands Ranch Metropolitan District's basic financial statements. The introductory section; combining and individual nonmajor fund financial statements and schedules; and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

ACM LLP

Greeley, Colorado
June 26, 2020

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 2019 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, 2019 as well as information on any financial issues and activities. 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.

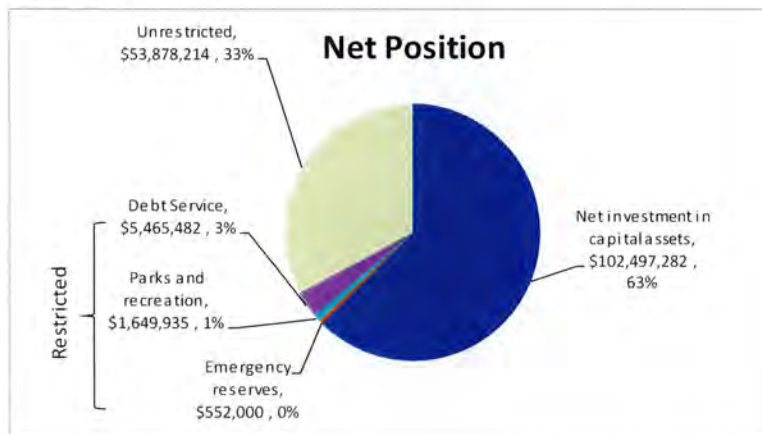
The Management Discussion and Analysis (MD&A) focuses on the presentation of the financial statements and the related activities in two distinct ways:

- 1) The review of government-wide financials reflect 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 the 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 outflow of resources of the District exceed its liabilities plus deferred inflows. At the close of the current fiscal year the District had a net position of \$164,042,913 an increase of 7% over the fiscal 2018 net position of \$153,170,731. The components of the 2019 net position are categorized as follows:



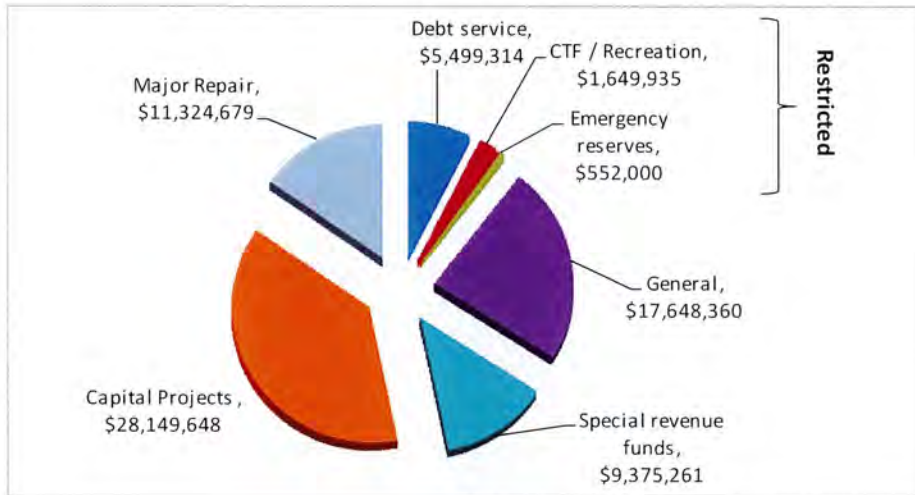
Prudent fiscal stewardship by the District continues.

- 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 2019. Employees shared in any premium increases based on the existing premium sharing arrangement with the employees.
- The Board reviews its debt management plan annually. The refinancing of the Highlands Ranch Metropolitan District No. 2 and 3 Series 2005 was completed on May 20, 2016 with a net present value savings of approximately \$2.8 million. The new debt is not callable until December 21, 2021 but has resulted in significant cash accumulation for future capital projects identified by the Board.
- Accumulated development fees continue to be sufficient to pay for all previously identified components of the Capital Improvements Plan but the Board is evaluating several projects that are not currently in the Capital Improvements Plan.

- The Major Repair Fund provides a stabilizing base for maintaining the District’s physical assets in good repair.

Fund balance

- At the close of the fiscal year, the District’s Governmental Funds reported a combined ending fund balance of \$74,199,197, an increase of \$10,728,223. The graph below summarizes the various fund balance components net of the isolated restricted portions of fund balance as of year end.



- Significant decisions impacting specific fund balances, more fully described in later sections include:
 - The year-end Debt Service fund balance is targeted at an amount equal to 100% of the next year’s principal and interest payment.
 - “Other governmental funds,” increased by \$9.4 million year over year because of a transfer from the General Fund for the renovation of the parks and open space service center.
 - The General Fund fund balance decreased by \$2.9 million as expenditures and transfers exceeded revenues due to the continued budgeting effort to spend down fund balance until the ratio is at 40%. The General Fund continues to make significant transfers to other funds:
 - A transfer to Major Repair Fund of \$8,344,638. The transfer was comprised of an ongoing annual transfer of approximately \$1,500,000, a one-time transfer of \$6,700,000 for renovation of the parks and open space service center, and an additional \$144,638 for vehicle replacement to the Major Repair Fund.
 - Specific ownership taxes, generated from the sale of autos, remain strong and exceeded expectations.

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 five 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, debt service, utility and mansion special revenue funds and capital projects as well as combined for the three non-major funds – conservation trust and recreation special revenue funds and the major repair capital related fund.

The District adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for these funds in the *basic financial statements* to demonstrate compliance with this budget.

The basic governmental fund financial statements, reconciliation to the government-wide statements and the budget and actual comparison statements for the General Fund and Utility Special Revenue Fund can be found on pages 3-7 of this report.

In addition, the report includes individual fund schedules. A budgetary comparison schedule has been provided for the debt service fund, capital projects fund, and each of the non-major funds in this 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.

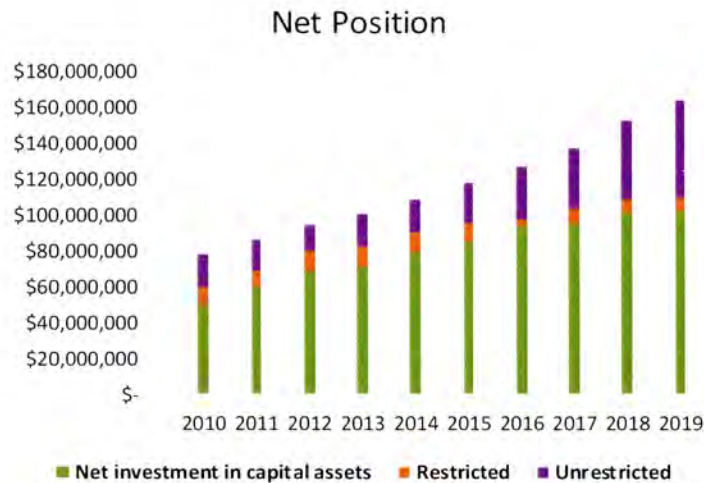
Other Information

The Combining and Individual Fund Statements for the non-major funds are shown as required supplementary information.

The budget schedules referred to earlier in connection with the debt service, capital projects and the non-major funds are found after the notes to the financial statements.

Government-wide Financials and Net Position Analysis

Changes in net position may serve as a useful indicator of a government's financial position. The following shows graphically the balance and the changes over the last nine years.



Assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$164,042,913 at the close of the most recent fiscal year an increase of \$10,872,183 over 2018.

Condensed Statement of Net Position

	Governmental Activities		2019 to 2018	
	2019	2018	\$ Change	% Change
<u>Assets</u>				
Current and other assets	\$ 96,713,096	\$ 85,493,605	\$ 11,219,491	13.12%
Capital assets	112,967,220	116,347,682	(3,380,462)	-2.91%
	<u>209,680,316</u>	<u>201,841,287</u>	<u>7,839,029</u>	3.88%
<u>Deferred outflow of resources</u>				
Cost of refunding	40,063	53,069	(13,006)	-24.51%
<u>Liabilities</u>				
Long-term liabilities outstanding	19,487,534	23,098,311	(3,610,777)	-15.63%
Other liabilities	6,842,544	8,135,910	(1,293,366)	-15.90%
	<u>26,330,078</u>	<u>31,234,221</u>	<u>(4,904,143)</u>	-15.70%
<u>Deferred inflow of resources</u>				
Deferred property tax revenue	19,347,388	17,489,405	1,857,983	10.62%
<u>Net Position</u>				
Net investment in capital assets	102,497,282	102,297,682	199,600	0.20%
Restricted	7,667,417	6,886,482	780,935	11.34%
Unrestricted	53,878,214	43,986,567	9,891,647	22.49%
	<u>\$ 164,042,913</u>	<u>\$ 153,170,731</u>	<u>\$ 10,872,182</u>	7.10%

- 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. The net investment in capital assets of \$102,497,282 decreased 0.20% over 2018 and represents 63% of the total net position.

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.

The overall increase in this category of \$159,537 or 0.2% from 2018 to 2019 can be summarized on the table below:

	2019	2018	Change
Land improvements	\$ 35,948,140	\$ 33,227,394	\$ 2,720,746
Public infrastructure to be dedicated	18,391,638	17,681,987	709,651
Construction in progress	8,114,552	9,772,229	(1,657,677)
			-
Buildings	13,880,733	16,921,783	(3,041,050)
Improvements other than buildings	21,955,014	21,955,014	-
Machinery and equipment	5,231,880	8,123,961	(2,892,081)
Water and wastewater infrastructure	65,410,226	64,782,099	628,127
	<u>168,932,183</u>	<u>172,464,467</u>	<u>(3,532,284)</u>
Accumulated depreciation	<u>(55,964,964)</u>	<u>(56,116,785)</u>	<u>151,821</u>
Capital assets, net	112,967,219	116,347,682	(3,380,463)
Adjusted for total GO debt and leases	(22,764,937)	(26,345,000)	3,580,063
Adjusted for water/wastewater related debt	12,295,000	12,295,000	-
Net investment in capital assets	<u>\$ 102,497,282</u>	<u>\$ 102,297,682</u>	<u>\$ 199,600</u>

- The District has *restricted* a portion of the remaining net position as follows:
 - ✓ \$552,000 is restricted for emergency reserves pursuant to the TABOR requirements of the Colorado constitution
 - ✓ \$1,649,935, restricted for park and recreation capital improvements as required by state directive, represents unexpended funds from Colorado Lottery proceeds
 - ✓ \$5,465,482 is restricted for debt service by Board policy in excess of the amounts necessary to comply with various bond covenants. This amount represents the Debt Service Fund fund balance net of accrued interest payable.
- After considering the above restrictions, the District has unrestricted net position of \$53,878,214, an increase of \$9.9 million or 22%. Unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

As mentioned above, during the current fiscal year the District's net position increased by \$10,872,182 as shown below:

Condensed Statement of Change in Net Position

	Governmental Activities		2019 to 2018	
	2019	2018	\$ Change	% Change
<u>Revenues:</u>				
<u>Program Revenues:</u>				
Charges for services	\$ 41,812,006	\$ 42,137,940	\$ (325,934)	-0.77%
Capital grants and contributions	6,078,171	10,001,451	(3,923,280)	-39.23%
Total program revenues	<u>47,890,177</u>	<u>52,139,391</u>	<u>(4,249,214)</u>	-8.15%
<u>General Revenues:</u>				
Property taxes	18,868,797	30,725,902	(11,857,105)	-38.59%
Net investment income (loss)	2,265,996	1,161,434	1,104,562	95.10%
Other	259,833	98,717	161,116	163.21%
	<u>21,394,626</u>	<u>31,986,053</u>	<u>(10,591,427)</u>	-33.11%
Total revenues	<u>69,284,803</u>	<u>84,125,444</u>	<u>(14,840,641)</u>	-17.64%
<u>Expenses:</u>				
General government	2,895,769	2,424,163	471,606	19.45%
Public works	718,325	682,624	35,701	5.23%
Stormwater management	168,459	159,131	9,328	5.86%
Public safety	13,510	9,101,571	(9,088,061)	-99.85%
Street lights	1,142,622	1,138,135	4,487	0.39%
Parks and open space	10,553,675	12,076,328	(1,522,653)	-12.61%
Recreation services	1,142,311	1,014,693	127,618	12.58%
Cultural	841,166	944,990	(103,824)	-10.99%
Water and wastewater operations	37,597,289	40,018,837	(2,421,548)	-6.05%
Interest on long-term debt	481,964	536,138	(54,173)	-10.10%
Total expenses	<u>55,555,090</u>	<u>68,096,610</u>	<u>(12,541,520)</u>	-18.42%
Special Item - Transfer of Operations	(2,857,530)	-	(2,857,530)	
Change in net position	10,872,183	16,028,836	(5,156,652)	-32.17%
Net position- beginning	<u>153,170,731</u>	<u>137,141,895</u>	<u>16,028,836</u>	11.69%
Net position- ending	<u>\$ 164,042,913</u>	<u>\$ 153,170,731</u>	<u>\$ 10,872,182</u>	7.10%

Program revenues contributed \$47,890,177

Charges for services

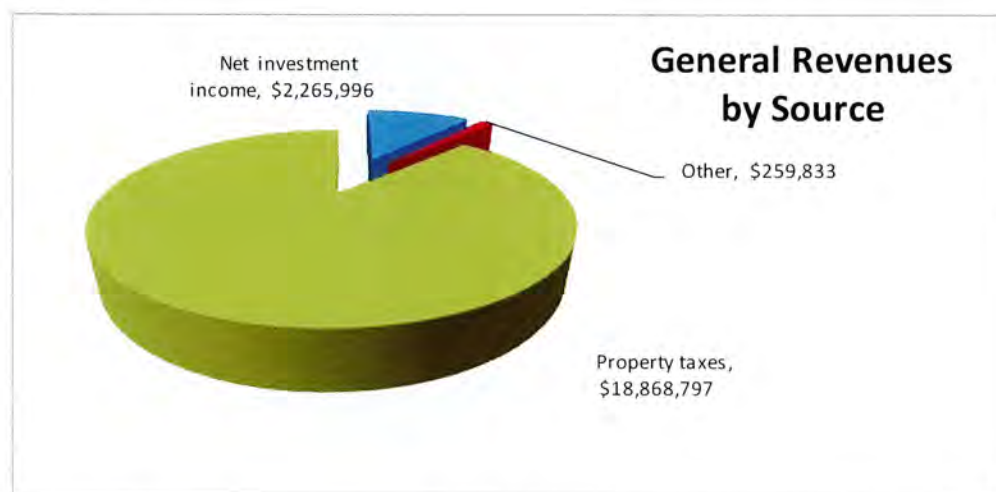
- ✓ 87% of the program revenues came from charges for services.
- ✓ Of the charges for services:
- ✓ \$ 35,064,777 or 84% of the total, represent the pass-through of revenues collected from District water and wastewater customers and remitted to Centennial. These revenue are 100% directly offset by expenses 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 \$2,359,466 from streetlight and stormwater management fees.

Capital grants and contributions

- ✓ Capital grants and contribution in 2019 totaled \$6,078,171 or 13% of total program revenues, lower than the 19% of program revenues from 2018. Capital grants and contributions include donated assets, conservation trust fund (lottery) proceeds and development fees.
- ✓ The capital grant and contributions reflects steady development activity in 2019.

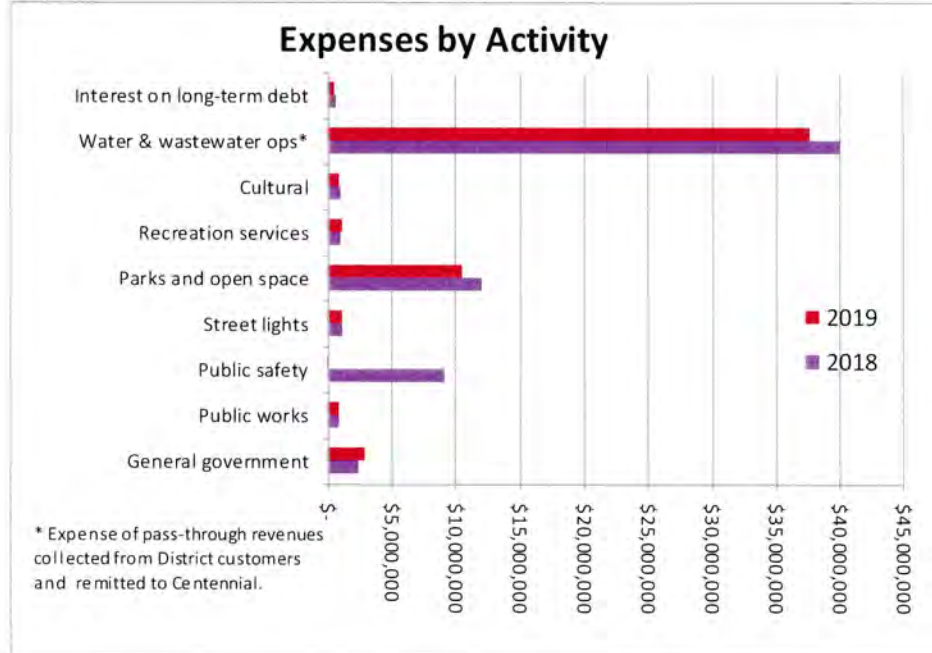
- ❖ Systems Development Fees are collected from new property at the time that the initial water and wastewater service is requested. With slowing residential development absorption, the 2019 fees decreased from \$4,294,725 in 2018 to \$1,672,544. Systems Development Fees are allocated to offset Public 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 will begin to appear on the tax rolls in 2019/2020 for collection in 2020/2021.
- ❖ Tap fees contributed to the change in net position in the amount of \$3,111,680 a slight decrease from the \$3,631,880 collected in 2018. Tap fees are collected from new services to pay for the reserve capacity payments due to Centennial.
- ❖ The developer constructed and then contributed \$628,126 of intract infrastructure that will serve new development within Highlands Ranch.

General Revenues, which include property taxes, contributed \$21,394,626, a decrease of 33% from 2018.



- ✓ \$18,868,797 or 88% of the general revenues came from property tax revenues which was a decrease from the \$30,725,902 collected in 2018. In 2019 the mill levy applied was lowered from 18.205 to 11.205. Additionally the:
 - ❖ Assessed value increased by 0.5% as the result of new construction and reassessment.
 - ❖ The District's share of automobile related Specific Ownership Taxes decreased by 41% to \$1,752,667 primarily due to the lowering of the mill levy.
 - ❖ Portfolio performance continued to benefit as the rates improved in 2019.

Expenses totaled \$55,555,090 a decrease of \$12,541,520 or 18%. Before considering the impact of property taxes and other general revenues, expenses for governmental activities exceeded program revenues by \$7,664,913.



- ✓ General Government
 - ❖ \$2,895,769 – an increase of 19% from 2018; represents 4.5% of the total expenses; governmental activities include general government, finance and administration, human resources.
- ✓ Public Works and Stormwater management
 - ❖ \$886,784 – an increase of 5% from 2018; represents 1.4% of the total expenses; 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. Outlays for capital items built on behalf of others are maintained on our books as Work in Progress until they are accepted by the other entity at which time they are expensed.

Expenses in both of these activities 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
 - ❖ \$13,510 – a decrease of -99.85%; represents .02% of the total expenses; expenses are for maintenance of illuminated street name signs. Prior to January 1, 2019 expenses also included contract for fire and emergency services. Since the inclusion election held by South Metro Fire Rescue was successful all operations transferred on January 1, 2019.
- ✓ Streetlights
 - ❖ \$1,142,622 an increase of 0.4%; represents 2.06% of total expenses; - provides for the cost to operate and maintain street lights adjacent to arterial roadways as well as the streetlights in the neighborhoods.
 - The District collects a street light 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 \$1,470,363 a slight increase from 2018.

- ✓ Parks and open space
 - ❖ \$10,553,675 – an decrease of 12.61%; represents 19% of the total expenses; 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 2019 was \$580,820 an increase of 11% from 2018.
 - In 2019 Conservation Trust fund projects in included a new disc golf course and projects identified in the ADA transition plan.

- ✓ Recreation programs and services
 - ❖ The direct cost of recreation services, \$1,142,311 – 13% increase; approximately represents 2.06% of the total expenses; for costs related to recreation programs and services provided to our customers.
 - Total revenue for recreation programs and services was \$1,382,044. 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.

- ✓ Cultural (Mansion)
 - ❖ \$841,166 – a decrease of 11%; represents approximately 1.51% of the total expenses; - the District operates and maintains the Highlands Ranch Mansion for both community and private events.
 - Mansion revenues increased 24% from \$551,487 in 2018 to \$684,621 in 2019.

- ✓ Water and wastewater
 - ❖ The largest single activity, the District expended \$37,597,289 – a decrease of 6%; 67.87% of the total expenses for water and wastewater services provided by contract.
 - \$35,064,777 of the expense is the pass-through of revenues collected from District customers and remitted to Centennial.
 - \$1,524,240 was for depreciation of intract water and sewer lines owned by the District and maintained by Centennial Water and Sanitation District.
 - The 2019 payment to Centennial of \$1,008,272 for reserved capacity is also included in this amount. This decrease from the \$4,115,252 paid in 2018 is the result of a formula within the IGA between the District and Centennial that calculates an annual contribution for a portion of new property inclusions that is required until the entire required reserve payment for the property is made.

- ✓ The District incurred \$481,965 of interest expense. This amount includes the payment on the bonds plus the current charge for amortization of the premiums, discount and losses on sale of bond related to its long-term debt.

- ✓ Special Item: The District transferred fire and emergency operations to South Metro Fire Rescue on January 1, 2019. The District transferred two fire stations and associated fire rescue equipment with a net book value of \$2,857,530.

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, *unreserved 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 \$74,199,197, an increase of \$10,728,223 in comparison with the prior year. The following table shows the categories the total fund balances are comprised of pursuant to GASB 54.

Fund Balances	2019 Ending Fund Balance		
Restricted	\$	7,701,249	10%
Committed		14,536,150	20%
Assigned		35,862,160	48%
Unassigned		16,099,638	22%
TOTAL	\$	<u>74,199,197</u>	

The \$7,701,249 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 \$552,000.
- The Debt Service Fund has a fund balance of \$5,499,314 all of which is restricted for the payment of debt service.
 - ✓ The ending fund balance increased from the prior year. The Board adopted a targeted ending fund balance to be equal to 100% of the next year's principal and interest payment.
- The Conservation Trust Fund ending balance in the amount of \$1,649,935 is restricted by provisions of the Colorado Constitution.
 - ✓ Revenues, primarily the proceeds from the Lottery Fund in the amount of \$580,820 increased 11% from 2018.

The remaining unrestricted amounts of \$66,497,448 are *available for spending at the government's discretion*, subject to the different categorizations. These amounts are comprised of:

- \$17,648,360 of the total fund balance in the General Fund a portion is committed and the remaining amount is unassigned.
 - ✓ \$1,548,722 is committed by the Board of Directors for the stormwater management program including both operations and appropriated capital projects.
 - ✓ \$16,099,638 is unassigned. It represents 141% of total 2019 general fund expenditures and 160% of the expenditures when offset by contractual offsetting revenues (Intergovernmental). The 2019 year-end balance continues to exceed the targeted fund balance established by the Board (40% of general fund expenditures less offsetting revenues). However, the Board of Directors has approved a long range plan that draws this balance down at a rate of about 4% per year until they reach the revised target of 40%.
- The Utility Special Revenue Fund has a total fund balance of \$4,661,583, all of which is committed 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 fund balance during the current year in the fund was \$2,431,149 which was due in large part to the current year Tap Fee collection exceeded the amount of the reserve capacity payment.
- ✓ The District has a contractual obligation for payment of future reserved capacity payments as of December 31, 2019 of \$2,173,753 payable over the next 7 years.
- \$28,149,648 of fund balance in the Capital Projects Fund is either committed or assigned:
 - ✓ \$1,073,308 is committed for unexpended Board approved project appropriations
 - ✓ The remaining \$27,076,340 is assigned for:
 - ❖ the future capital projects identified in the Capital Improvements Plan
 - ❖ transfer to the Debt Service fund as needed to make annual debt principal payments
 - ✓ Additional amounts will be accumulated over time from the collection of Systems Development Fees
- The Mansion Fund balance of \$4,713,678 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 2019 expenditures did not exceed revenues including other miscellaneous income and investment income.
- \$11,324,679 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 funds and the capital related Major Repair 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 Major Repair Fund has an ending fund balance of \$10,524,679.
 - ❖ The primary funding sources in 2019 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 one-time transfer from the General Fund to prefund the renovation of the parks and open space service center
 - a transfer from the General Fund for vehicle and equipment replacement
 - ❖ Revenues and transfers exceeded repair and renovations projects in 2019 by \$8.4 million.

General Fund Budgetary Highlights

Actual expenditures were 9.1% less than the original budget with the most significant variance in wages and benefits due to partial year vacancies.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets as of December 31, 2019, amounts to \$102,497,282 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 decreased by \$9,528,823 during the current fiscal year as depreciation and donation of assets exceeded new investments.

Significant changes to capital investment during the current fiscal year included:

- Metro District donated all fire and emergency related assets to South Metro Fire Rescue (\$6.1 million)
- Donation of water and wastewater lines from the developer in the amount of \$628,126.
- Depreciation of approximately \$3.4M.

Additional information on the District's capital assets can be found in note III.B on page 17.

Long-term debt

General obligation debt

At the end of the 2019, the District had total general obligation bonded debt outstanding of \$22,805,000. The District's total debt decreased by \$3,540,000 the scheduled principal payment during the current fiscal year.

The District currently has a stand-alone rating from Standard & Poor's of "AA+" as the result of ratings associated with its 2008 Refunding Series and reaffirmed during a routine review in early 2015.

During May of 2016 the District proceeded with the refunding of the Highlands Ranch Metropolitan District No. 2 and 3 Series 2005 General Obligation Bonds. The Series 2016 Loan was in the amount of \$29,800,000 refinancing debt of \$29,730,000 of the amount outstanding as of December 31, 2015. The loan is a rate of 1.8% with a final maturity in 2025 and a net present value savings of approximately \$3M or 10% of the refunded bonds.

Capital leases

At the end of the 2019, the District had no capital leases outstanding. The District did not enter into any new capital leases during the current fiscal year. Additional information on the District's long-term debt can be found in note III.C on pages 18-20 of this report.

Economic Factors and Next Year's Budgets and Rates

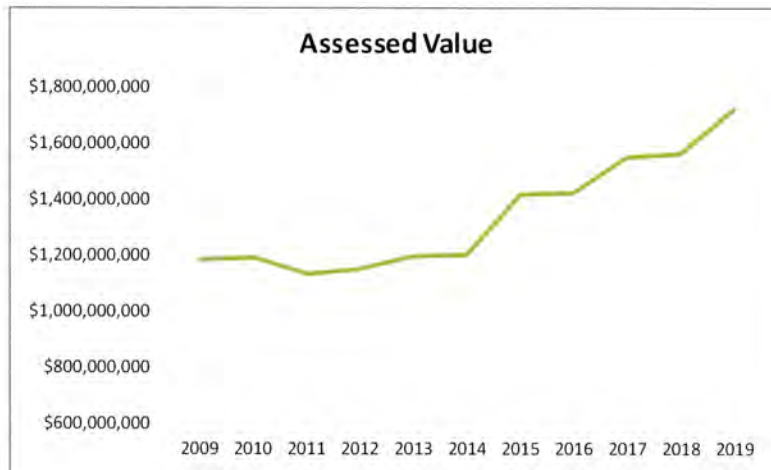
The District has appropriated \$12,589,119 for spending in the 2020 fiscal year General Fund budget. In addition to the General Fund expenditures, the budget anticipates operating transfers of:

- \$585,250 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
- \$1,735,820 to the Major Repair Fund a significant portion of the transfer is a one-time transfer for renovation of the parks and open space service center.

Revenues will exceed total expenditures and transfer, the net impact of which is an increase in fund balance during 2020 of \$2.0 million.

In addition to the significant District fund balances, the following factors were considered in preparing the District's budget for 2020:

- The property tax base still has 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. The Board has planned accordingly identifying several long-term changes to staffing levels; non-critical service cuts and increasing arterial streetlight fees. In addition, the Board continues to endorse the concept of slowly reducing the General Fund balance until the debt is retired and uses of the freed up debt service mill levy can be evaluated.



- In 2020, the mill levy remained unchanged at 11.205 mills.
- The 2020 Budget includes an increase of \$0.17 per 1,000 gallons for the base water rates and \$0.33 for wastewater rates. 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 in 2020.
- The stormwater fee remained unchanged in 2020.

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. 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.

HIGHLANDS RANCH METROPOLITAN DISTRICT
STATEMENT of NET POSITION
December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash deposits and investments	\$ 74,547,263
Due from county treasurer	158,874
Receivables	21,881,682
Due from other governments	125,277
Capital assets, not being depreciated	
Land and other nondepreciable assets	54,339,778
Construction in progress	8,114,552
Capital assets, net of accumulated depreciation	
Buildings	10,188,144
Improvements other than buildings	3,896,215
Machinery and equipment	2,037,357
Infrastructure	34,391,174
Total assets	<u>209,680,316</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on refunding	40,063
Total deferred outflow of resources	<u>40,063</u>
LIABILITIES	
Accounts payable and other current liabilities	1,189,503
Due to other governments	1,977,009
Accrued interest payable	33,832
Long-term liabilities:	
Compensated absences	
Due within one year	27,200
Due in more than one year	297,534
General obligation bonds and capital leases payable	
Due within one year	3,615,000
Due in more than one year (net of unamortized premiums and discounts)	19,190,000
Total liabilities	<u>26,330,078</u>
DEFERRED INFLOW OF RESOURCES	
Property tax revenue	19,347,388
Total deferred inflow of resources	<u>19,347,388</u>
NET POSITION	
Net investment in capital assets	102,497,282
Restricted for:	
Emergency reserves	552,000
Parks and recreation	1,649,935
Debt Service	5,465,482
Unrestricted	53,878,214
Total net position	<u>\$ 164,042,913</u>

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
STATEMENT of ACTIVITIES
For the year ended
December 31, 2019

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,895,769	\$ 735,641	\$ -	\$ -	\$ (2,160,128)
Public safety	13,510	-	-	42,941	29,431
Street lights	1,142,622	1,470,363	-	-	327,741
Parks and open space	10,553,675	393,805	-	1,058,967	(9,100,903)
Recreation services	1,142,311	1,382,044	-	-	239,733
Cultural	841,166	684,621	-	-	(156,545)
Public works	718,325	1,191,652	-	848,353	1,321,680
Stormwater management	168,459	889,103	-	388,103	1,108,747
Water and wastewater operations	37,597,289	35,064,777	-	3,739,807	1,207,295
Interest related to long term debt	481,964	-	-	-	(481,964)
Total governmental activities	<u>\$ 55,555,090</u>	<u>\$ 41,812,006</u>	<u>\$ -</u>	<u>\$ 6,078,171</u>	<u>(7,664,913)</u>
General revenues:					
					18,868,797
					2,265,996
					259,833
					<u>21,394,626</u>
Special Item					
					(2,857,530)
					10,872,183
					\$ 153,170,731
					<u>\$ 164,042,913</u>

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	General	Special Revenue		Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
		Utility	Mansion				
ASSETS							
Cash deposits and investments	\$ 18,213,818	\$ 4,525,765	\$ 4,930,180	\$ 5,499,314	\$ 28,152,775	\$ 13,225,411	\$ 74,547,263
Due from county treasurer	158,874	-	-	-	-	-	158,874
Receivables							
Customers	59,000	2,187,000	-	-	-	-	2,246,000
Interest	243,176	-	-	-	-	-	243,176
Property taxes	15,376,457	-	-	3,970,931	-	-	19,347,388
Other	31,811	-	7,307	-	-	6,000	45,118
Due from other governments	125,277	-	-	-	-	-	125,277
Total assets	<u>\$ 34,208,414</u>	<u>\$ 6,712,765</u>	<u>\$ 4,937,486</u>	<u>\$ 9,470,245</u>	<u>\$ 28,152,775</u>	<u>\$ 13,231,411</u>	<u>\$ 96,713,096</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable and payroll liabilities	\$ 534,210	\$ 96,723	\$ 18,761	\$ -	\$ 3,057	\$ 158,798	\$ 811,549
Retainages payable	-	-	-	-	-	28,358	28,358
Customer deposits payable	87,550	-	197,279	-	-	64,767	349,596
Due to other governments	9,838	1,954,459	7,767	-	70	4,875	1,977,009
Total liabilities	<u>631,598</u>	<u>2,051,182</u>	<u>223,807</u>	<u>-</u>	<u>3,127</u>	<u>256,798</u>	<u>3,166,512</u>
Deferred inflow of resources:							
Property tax revenue	15,376,457	-	-	3,970,931	-	-	19,347,388
Total deferred inflow of resources	<u>15,376,457</u>	<u>-</u>	<u>-</u>	<u>3,970,931</u>	<u>-</u>	<u>-</u>	<u>19,347,388</u>
Fund balances:							
Restricted							
Emergency reserves	552,000	-	-	-	-	-	552,000
Debt service	-	-	-	5,499,314	-	-	5,499,314
Parks and recreation	-	-	-	-	-	1,649,935	1,649,935
Committed							
Special revenue funds							
Water and wastewater operations	-	4,661,583	-	-	-	-	4,661,583
Mansion operations	-	-	4,713,678	-	-	-	4,713,678
Stormwater management	847,745	-	-	-	-	-	847,745
Capital projects	700,977	-	-	-	1,073,308	2,538,859	4,313,144
Assigned							
Capital projects fund	-	-	-	-	27,076,340	8,785,820	35,862,160
Unassigned	16,099,638	-	-	-	-	-	16,099,638
Total fund balances	<u>18,200,360</u>	<u>4,661,583</u>	<u>4,713,678</u>	<u>5,499,314</u>	<u>28,149,648</u>	<u>12,974,614</u>	<u>74,199,197</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 34,208,414</u>	<u>\$ 6,712,765</u>	<u>\$ 4,937,486</u>	<u>\$ 9,470,245</u>	<u>\$ 28,152,775</u>	<u>\$ 13,231,411</u>	

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	112,967,219
Certain costs related to the issuance of debt are expenditures in the funds but are shown as described below and amortized in the statement of net position:	
Cost of refunding as deferred outflow of resources	40,063
Liabilities are not due and payable in the current period and therefore are not in the funds:	
Bonds, leases and compensated absences payable	(23,129,734)
Accrued interest payable	(33,832)
Net position of governmental activities	<u>\$ 164,042,913</u>

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended
December 31, 2019

	General	Special Revenue		Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
		Utility	Mansion				
REVENUES							
Property taxes	\$ 14,885,512	\$ -	\$ -	\$ 3,983,285	\$ -	\$ -	\$ 18,868,797
Systems development fees	-	-	-	-	1,672,544	-	1,672,544
Tap fees	-	3,111,680	-	-	-	-	3,111,680
Water operations	-	24,048,223	-	-	-	-	24,048,223
Wastewater operations	-	11,016,554	-	-	-	-	11,016,554
Street lights	-	1,470,363	-	-	-	-	1,470,363
Stormwater management	889,103	-	-	-	-	-	889,103
Program fees	-	-	663,667	-	-	1,382,044	2,045,711
Conservation trust fund	-	-	-	-	-	580,820	580,820
Intergovernmental	767,168	-	-	-	226,100	100,000	1,093,268
Net investment income	1,290,749	61,477	106,218	150,422	545,743	111,387	2,265,996
Contributions	85,000	-	-	-	-	-	85,000
Other	328,139	-	20,954	-	-	1,159,525	1,508,618
Total Revenues	18,245,671	39,708,297	790,839	4,133,707	2,444,387	3,333,776	68,656,677
EXPENDITURES							
Current:							
General government	2,412,338	-	-	300	-	473,971	2,886,609
Public safety	13,510	1,142,622	-	-	-	-	1,156,132
Parks and open space	7,868,178	-	-	-	892	1,001,951	8,871,021
Recreation services	-	-	-	-	-	1,142,311	1,142,311
Cultural	-	-	600,806	-	397	-	601,203
Public works	715,180	-	-	-	-	-	715,180
Stormwater management	168,459	-	-	-	-	-	168,459
Water operations	-	24,048,223	-	-	-	-	24,048,223
Wastewater operations	-	11,016,554	-	-	-	-	11,016,554
Investment in reserved capacity	-	1,008,272	-	-	-	-	1,008,272
Debt service:							
Principal	-	-	-	3,540,000	-	-	3,540,000
Interest	-	-	-	474,210	-	-	474,210
Bond issuance costs	-	-	-	-	-	-	-
Capital:							
Major repair and renovation	-	-	-	-	-	511,080	511,080
Capital outlay	181,772	-	-	-	1,607,428	-	1,789,200
Total Expenditures	11,359,437	37,215,671	600,806	4,014,510	1,608,717	3,129,313	57,928,454
Excess (deficiency) of revenues over (under) expenditures	6,886,234	2,492,626	190,033	119,197	835,670	204,463	10,728,223
OTHER FINANCING SOURCES (USES)							
Transfers in:	55,654	-	-	600,406	577,658	9,280,589	10,514,307
Transfers out:	(9,889,287)	(61,477)	(17,800)	-	(545,743)	-	(10,514,307)
Total other financing sources (uses)	(9,833,633)	(61,477)	(17,800)	600,406	31,915	9,280,589	(0)
Net change in fund balances	(2,947,399)	2,431,149	172,233	719,603	867,585	9,485,052	10,728,223
Fund balances - beginning	21,147,759	2,230,434	4,541,445	4,779,711	27,282,063	3,489,562	63,470,974
Fund balances - ending	\$ 18,200,360	\$ 4,661,583	\$ 4,713,678	\$ 5,499,314	\$ 28,149,648	\$ 12,974,614	\$ 74,199,197

The 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, 2019**

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

Net change in fund balances - total governmental funds		\$ 10,728,223
<p>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:</p>		
Capital outlay (net of CTF intragovernmental transfers)	1,789,200	
Capitalized major repairs and renovations	511,080	
Current year depreciation	<u>(3,270,445)</u>	
		(970,165)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:</p>		
<p>General obligation debt issued or incurred:</p>		
Principal repayments - general obligation debt	<u>3,540,000</u>	
Current year amortization of premiums, discounts and loss on refunding	(13,005)	
		3,526,995
Disposal of capital assets decrease 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		(180,894)
Transfers of assets to other entities decrease net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources		(2,857,530)
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		628,127
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		
Decrease in accrued interest		5,251
Increase in accrued compensated absences		(7,823)
Change in net position of governmental activities per Statement of Activities		<u>\$ 10,872,183</u>

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 14,385,587	\$ 14,685,587	\$ 14,885,512	\$ 199,925
Stormwater management fee	865,000	865,000	889,103	24,103
Intergovernmental	708,600	708,600	767,168	58,568
Net investment income	195,500	195,500	1,290,749	1,095,249
Other	106,500	106,500	413,139	306,639
Total Revenues	<u>16,261,187</u>	<u>16,561,187</u>	<u>18,245,671</u>	<u>1,684,484</u>
EXPENDITURES				
General government	2,582,405	2,582,405	2,412,338	170,067
Operations				
General Fund budget	9,576,214	9,622,034	8,778,640	843,394
Stormwater Management budget	294,346	294,346	168,459	125,887
Total Expenditures	<u>12,452,965</u>	<u>12,498,785</u>	<u>11,359,437</u>	<u>1,139,348</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,808,222</u>	<u>4,062,402</u>	<u>6,886,234</u>	<u>2,823,832</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:	73,745	73,745	55,654	(18,091)
Transfers out:	(9,313,730)	(9,313,730)	(9,889,287)	(575,557)
Total other financing sources (uses)	<u>(9,239,985)</u>	<u>(9,239,985)</u>	<u>(9,833,633)</u>	<u>(593,648)</u>
Net change in fund balance	(5,431,763)	(5,177,583)	(2,947,399)	2,230,184
Fund balance - beginning	18,668,748	21,147,759	21,147,759	-
Fund balance - ending	<u>\$ 13,236,985</u>	<u>\$ 15,970,176</u>	<u>\$ 18,200,360</u>	<u>\$ 2,230,184</u>

NOTE: For financial statement reporting purposes the General Fund and Stormwater Management Fund are combined

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
UTILITY SPECIAL REVENUE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tap fees	\$ 1,824,125	\$ 1,824,125	\$ 3,111,680	\$ 1,287,555
Water operations	24,050,000	24,050,000	24,048,223	(1,777)
Wastewater operations	11,100,000	11,100,000	11,016,554	(83,446)
Street light fees	1,438,000	1,438,000	1,470,363	32,363
Net investment income	16,700	16,700	61,477	44,777
Total Revenues	38,428,825	38,428,825	39,708,297	1,279,472
EXPENDITURES				
Public safety - street lights	1,438,000	1,438,000	1,142,622	295,378
Water operations	24,050,000	24,050,000	24,048,223	1,777
Wastewater operations	11,100,000	11,100,000	11,016,554	83,446
Investment in reserved capacity	869,872	869,872	1,008,272	(138,400)
Total Expenditures	37,457,872	37,457,872	37,215,671	242,201
Excess (deficiency) of revenues over (under) expenditures	970,953	970,953	2,492,626	1,521,673
OTHER FINANCING SOURCES (USES)				
Transfers out:	(16,700)	(16,700)	(61,477)	(44,777)
Total other financing sources (uses)	(16,700)	(16,700)	(61,477)	(44,777)
Net change in fund balance	954,253	954,253	2,431,149	1,476,896
Fund balance - beginning	1,268,621	2,230,434	2,230,434	-
Fund balance - ending	\$ 2,222,874	\$ 3,184,687	\$ 4,661,583	\$ 1,476,896

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
MANSION SPECIAL REVENUE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Program fees and revenues	\$ 400,553	\$ 450,000	\$ 663,667	\$ 213,667
Net investment income	66,400	66,200	106,218	40,018
Other	167,200	167,200	20,954	(146,246)
Total Revenues	<u>634,153</u>	<u>683,400</u>	<u>790,839</u>	<u>107,439</u>
EXPENDITURES				
Operations	603,100	609,741	600,806	8,935
Total Expenditures	<u>603,100</u>	<u>609,741</u>	<u>600,806</u>	<u>8,935</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,053</u>	<u>73,659</u>	<u>190,033</u>	<u>116,374</u>
OTHER FINANCING SOURCES (USES)				
Transfers out:	(48,345)	(48,345)	(17,800)	30,545
Total other financing sources (uses)	<u>(48,345)</u>	<u>(48,345)</u>	<u>(17,800)</u>	<u>30,545</u>
Net change in fund balances	(17,292)	25,314	172,233	146,919
Fund balances - beginning	<u>4,429,529</u>	<u>4,541,445</u>	<u>4,541,445</u>	<u>-</u>
Fund balances - ending	<u>\$ 4,412,237</u>	<u>\$ 4,566,759</u>	<u>\$ 4,713,678</u>	<u>\$ 146,919</u>

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) REPORTING ENTITY

The Highlands Ranch Metropolitan District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado and includes most all of the developed portion of the real estate development of Highlands Ranch. On May 6, 2006, the electorates of Highlands Ranch Metropolitan Districts No. 1, 2, 3 and 4 voted to consolidate into Highlands Ranch Metropolitan District No. 3 which was then renamed Highlands Ranch Metropolitan District. Pursuant to a court order approved on September 11, 2006, the Consolidation was effective January 1, 2007 for financial reporting purposes. Centennial Water and Sanitation District (Centennial) provides water and wastewater treatment and major distribution and collection systems to the project area by intergovernmental agreement with the District (Note IVD). The District provides construction of arterial roadways, installation and maintenance of arterial landscaping, installation of storm drainage facilities, construction and maintenance of parks and trails, construction and operation of fire protection facilities and provides water and wastewater service to property within the District.

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.

Component Unit. 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 governing board appointed by the membership of the Foundation. 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 on either the face or in the footnotes of the District. A copy of the IRS 990 return of the Foundation may be obtained from the District at its offices at 62 West Plaza Drive, Highlands Ranch, Colorado 80129.

The District is not financially accountable for any other entity including Highlands Ranch Metropolitan District No. 5 (which was modified by court order as Mirabelle Metropolitan District with boundaries that are no longer part of Highlands Ranch) and Centennial, nor is the District a component unit of any other governmental entity.

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 of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

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 economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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. Revenue is recorded when susceptible to accrual; i.e., both measurable and available. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. The major revenue sources susceptible to accrual are service fees, property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The following describes major governmental funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes revenues that are earmarked by Board action specifically for both storm water management operations and capital. As a result they cannot be segregated into a Special Revenue Fund.

The *Utility Special Revenue Fund* is used to collect and disburse monies earmarked for specific purposes due to either legal or contractual arrangements. This fund accounts for 1) utility related water and wastewater service revenues and expenses; 2) resources to be used for the investment in reserved capacity in the water and wastewater system owned by Centennial; and 3) street light revenues. 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.

The *Mansion Special Revenue Fund* 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 investment earnings on an endowment self-created by the District Board from previously collected developer fees and for user fees established by the Board for rental of the Highlands Ranch Mansion.

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of long-term debt principal, interest and related costs. The fund balance is restricted.

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

Additionally the District reports as Other Governmental Funds a consolidation of the following non-major funds:

The *Conservation Trust Fund* is a special revenue fund used to collect and disburse monies earmarked for specific purposes due to statutory requirements. This fund accounts for the proceeds from the Colorado state lottery.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

The *Recreation Special Revenue Fund* 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.

The *Major Repair and Replacement Fund* is a capital projects related fund that is used to fund the major repair, replacement and renovation of District assets. The significant source of funding is from the fees collected from cell phone tower and other equipment leases as determined by the Board.

The *Water and Wastewater Reserve Fund* is a fund established to track expenditures related to replacement of water and wastewater lines. The primary source of funding is a transfer from the General Fund.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the general government funds that are reasonably equivalent to the services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D) ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE

1) Cash Deposits and 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 deposited or invested. Investments are reported at fair value. Net investment income is allocated annually to the participating funds based on each fund's monthly average equity balance in the total cash and investments.

2) Capital assets

The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The costs of maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets (the net of which includes all infrastructure for which the District retains responsibility) are stated at cost except for those contributed assets that are stated at the developer's cost, which is considered to be fair value at the transfer date. Water distribution and wastewater collection lines for development areas are installed by the developer and dedicated to the District.

Upon completion of construction, arterial street construction improvements, traffic signals and certain storm drainage improvements are eligible to be dedicated to Douglas County, Colorado. Until accepted the cost is shown as Public Infrastructure to be dedicated and is shown as a reduction to the same category in capital assets when the acceptance is made.

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 and fire stations	40 years
Fire rolling stock	12 years
Machinery and equipment (vehicles, office equipment, furniture, computer equipment etc.)	5-10 years

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

3) Property Taxes

The District Board of Directors levies property taxes. The levy is based on the following sequence:

- The levy is based on assessed valuations determined by the County Assessor who determines the assessed value as of January 1 of each year.
- The Board determines the levy to be assessed against the assessed value prior to December 15 of the year for which the assessed value is determined and certifies the levy to the County Commissioners.
- The tax lien is attached on January 1 of the assessment year.
- The taxes are collected in the year following the assessment year.

The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August. Sales of tax liens on delinquent property are normally collected in November.

The County Treasurer remits the taxes collected monthly to the District. Since property taxes are collected in the succeeding year, the receivable and corresponding deferred revenue 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 are recorded as revenue in the year they are available or collected.

4) Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

5) Amortization

Original Issue Premiums and Original Issue Discounts

Original issue premiums and discounts are deferred and are amortized using the effective interest method over the life of the respective bonds. Unamortized premiums and discounts adjust the face value of amounts reported as bonds payable.

Deferred amount of Refunding

The deferred amounts related to a bond refunding are being amortized using the interest method over the life of the defeased bonds. The amortization amount is a component of interest expense and the unamortized cost is reflected as a deferred outflow of resources.

Prepaid bond insurance

The cost of insurance for a bond issue is being amortized using the interest method over the life of the bonds. The unamortized cost is reflected as a deferred outflow of resources.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

6) Compensated Absences

The District has a policy that allows employees to accumulate unused vacation benefits up to a certain maximum number of hours. The District accrues a liability for compensated absences on the statement of net position only since the amount payable is not anticipated to be paid with available resources.

7) Postemployment benefits

The District participates in the Colorado Employer Benefit Trust (CEBT) a multiple employer trust for public institutions providing employee benefits. CEBT insures approximately 15,000 employees as well as their beneficiaries from approximately 240 participating groups. The Trust is governed by a board of trustees made up of representatives from participating groups. The CEBT plan meets the definition of a *community rated plan* and therefore is not required to provide certain information.

A District retiree who has at least 15 years of service with the District and has reached at least 50 years of age at retirement is eligible to continue on the District's health plans by paying the full premium amount and no subsidy of the premium is provided by the District. This benefit expires when the retiree reaches the age of 65, thereby making the maximum eligibility period 15 years. One employee is currently using this benefit.

Since the plan meets the definition of a community rated plan, the District's expense is the annual contribution and there is no implicit rate subsidy. Therefore no liability is reported in the financial statements for postemployment benefits.

8) Development Fees

The District has established a systems development fee for residential, commercial and industrial property owners consistent with provisions found in the original Highlands Ranch Metropolitan District intergovernmental agreements. The fee, which is determined periodically, is designed to recover the estimated costs of the construction of the arterial roadways, arterial landscaping, storm drainage facilities, the park system and fire protection facilities that are being built to serve all of Highlands Ranch. The fee is allocated to specific programs as capital grants and contributions based on the cost information used to calculate the fee included in the District's Facilities Plan. For 2019 the fees were allocated based upon percentages as follows:

Public works	51%
Stormwater	18%
Public safety	2%
Parks, open space	29%

The District has also approved the establishment of a tap fee for residential, commercial and industrial users. This fee is allocated between the water system and the wastewater system and is primarily for the acquisition from Centennial of capacity in the treatment systems and related debt service. The fees and allocations are re-determined periodically.

Both fees are recorded as revenue when received.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

9) Fund Balance/Net Position

Fund balances

In the Governmental Funds Balance Sheet, the fund balances are reported in classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which spending within the fund can occur. The following classifications have been established that describe the relative strength of the spending constraints:

- *Nonspendable* – includes the portion of the fund balance/net position that cannot be spent because it is in 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 (such as bondholders), constitutional provisions (see TABOR discussion below) 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 of Directors, the highest level of decision making authority. The constraint, once imposed can only be removed or changed through the same formal approval by resolution of the Board.
- *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. Under the District's adopted policy approved by resolution, the Board has delegated the authority for such assignment to the District's chief financial officer.
- *Unassigned* – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose with the General Fund.

Use of categorized fund balance

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. Commitments made by appropriation for capital projects remain committed until specifically rescinded by the Board. All other commitments are reviewed and approved by Board action at the time of the adoption of the budget and remain so categorized for the budget year unless specific Board action is taken.

Statement of Net Position

In the net position financial statements, net position represents the difference between assets and liabilities. The net position is further classified as follows:

- Net investment in capital assets consists of the value of capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvement on those assets excluding unspent bond proceeds.
- Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restriction imposed by creditors, grantors, laws or regulations of other governments.
- Unrestricted assets represent resources that can be used for any purpose approved by the Board.

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A) 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 of Directors rescinds any unexpended appropriation as the specific projects are completed. Expenditures may not legally exceed appropriations at the fund level.

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 of Directors 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.

The original and revised budgets for the various funds are shown on the appropriate Statement or Schedule.

B) TAX, SPENDING AND REVENUE LIMITATION

In 1992, Colorado voters approved the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR generally limits taxing and new debt powers, imposes spending limitations and provides for the establishment of emergency reserves. These provisions apply to the District except as noted below. TABOR is complex and its interpretation is subject to numerous lawsuits against other entities in the state.

In 2006, a District election conducted in compliance with TABOR approved:

- increasing all non-tax revenues and spending to comply with all existing intergovernmental agreements between the District, Highlands Ranch Metropolitan District No. 5 and Centennial;
- preserving the then existing authorized but unissued debt authorization;
- allowing for refunding of District debt at higher or lower interest rates than the rate on the refunded debt
- authorizing other multiple-year debt or financial obligations including revenue bonds; and
- a mill levy not to exceed 19.75 mills which was reduced to 12.75 with the successful inclusion election with South Metro Fire Rescue, and the related tax revenues subject to the allowed increases for inflation and cost of living adjustments.

Net position and fund balance are restricted in order to comply with the emergency reserve requirement of TABOR (Note ID9). \$552,000 of the fund balance and net position has been restricted in compliance with this requirement. The fund balance reserved for all governmental fund types is shown in the General Fund.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

The District's property tax collections for 2018 provides the basis for calculation of the 2019 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 2019 results of operations and anticipates it is in compliance with its current interpretation and application of voter approved adjustments to TABOR tax, revenue, "spending limit" and debt limitations.

III. DETAILED NOTES

A) CASH DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each activity or fund's portion of this pool is displayed on the statement of net position or balance sheet respectively as "Cash deposits and investments". It is the intent of the District to diversify the investments within its portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, corporations, or maturities.

At December 31, 2019, the District had the following cash and investments:

Cash on hand	\$	5,641	
Cash deposits		125,125	
			\$ 130,766
Investments			
Investments held in safekeeping		40,967,117	
Local government investment pool		33,281,254	
Money Market Mutual Fund		168,126	
			74,416,497
Total	\$		74,547,263

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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, 2019 the District had \$517,634 of bank balances for cash deposits collateralized pursuant to PDPA.

Investments

Colorado State Statutes specify investment instruments meeting defined risk criteria in which units of local government may invest. The District has adopted an investment policy that is more restrictive than the State Statutes and is limited to:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, and Treasury Bonds with a final maturity not exceeding five years from the date of purchase and U.S. Treasury Strips with maturities not exceeding five years from the date of purchase.
2. Federal Instrumentality Securities: Debentures, discount notes, and callable securities with a final maturity not exceeding five years from the date of purchase issued by the following: Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

- (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Student Loan Marketing Association (SLMA).
3. Repurchase Agreements, executed subject to an approved Master Purchase Agreement, with a termination date of 90 days or less collateralized by U.S. Treasury Securities listed in 1 above with maturities not exceeding ten years.
 4. Prime Commercial Paper with an original maturity of 270 days or less which is rated at least A-1 by Standard & Poors or P-1 by Moody's at the time of purchase by each service which rates the commercial paper.
 5. Eligible Bankers Acceptances with original maturities not exceeding 180 days, issued on domestic banks whose senior long-term debt is similar to 4 above; have a combined capital and surplus of at least \$250,000,000; and have deposits insured by the FDIC.
 6. Local Government Investment Pools authorized under CRS 24-75-702.
 7. Money Market Mutual funds which have a rating of AAA by Standard and Poors or AAAM by Moody's.

At December 31, 2019 the District's investments held in safekeeping reported on the financial statements can be summarized as follows:

Investments held in safekeeping	S&P Rating	Investment Maturities (in Years)			
		One to five years			Total
		Less than 1	Callable 2020	Noncallable	
US Treasury securities		\$ 2,473,830	\$ -	\$ 20,521,578	\$ 22,995,408
US Agency securities	AA+	-	-	6,848,567	6,848,567
Supra-National Agency	AAA	375,078	2,179,059	-	2,554,137
Municipal bonds	AA- to AAA	-	-	3,428,597	3,428,597
Corporate debt	AA- to AAA	-	-	2,707,235	2,707,235
Certificate of Deposit	A+ to A-1+	780,270	-	1,652,904	2,433,174
		<u>\$ 3,629,178</u>	<u>\$ 2,179,059</u>	<u>\$ 35,158,881</u>	<u>\$ 40,967,117</u>

As of December 31, 2019, the District had invested \$33,281,254 in the Colorado Local Government Liquid Asset Trust ("CSIP") and \$21,152 in Colotrust, investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. These trusts operate similarly to a money market fund and each share is equal in value to \$1.00. Both are rated AAAM by Standard and Poor's. Investments are limited to those allowed by State statutes. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments. CSIP and Colotrust record investment at fair value and the District records its investment in both using the net asset value method.

The District has executed a safekeeping agreement with a financial institution that provides for the financial institution to act in a custodial capacity. The custodian holds investments acquired by the District in a Federal Reserve custodial account. The investments in this account are not available to the general creditors of the custodian. Ownership of the securities by the District is maintained in the custodian's internal accounting records. The District categorizes its fair value measurements at the end of the fiscal year 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 significant other observable inputs; and level 3 inputs are significant unobservable inputs. All of the annuity's investments are measured at fair value using level 1 inputs.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

Concentration of Credit Risk – State statutes and the District’s investment policy limit the amount the District may invest in one issuer for commercial paper and corporate debt. At December 31, 2019 the District maintained investments in excess of 5% in the following:

	% of portfolio
Local government investment pool - CSIP	44.72%
US Treasury securities	28.21%
US Agency securities	9.20%

B) CAPITAL ASSETS

An analysis of the changes in capital assets and the amount invested in capital assets net of related debt for the year ended December 31, 2019 follows:

	Balance at January 1, 2019	Increases	Decreases/ Reclasses	Balance at December 31, 12/31/2019
Capital assets not being depreciated:				
Construction in progress				
Capital assets to be retained by District	\$ 9,676,383	\$ 2,300,280	\$ 3,957,957	\$ 8,018,706
Public infrastructure to be dedicated	95,846		-	95,846
	9,772,229	2,300,280	3,957,957	8,114,552
Land improvements	33,227,394	2,720,746	-	35,948,140
Public infrastructure to be dedicated	17,681,987	709,651	-	18,391,638
Total capital assets not being depreciated	60,681,610	5,730,677	3,957,957	62,454,330
Capital assets being depreciated:				
Buildings	16,921,783	-	3,041,050	13,880,733
Improvements other than buildings	21,955,014	-	-	21,955,014
Machinery and equipment	8,123,961	215,230	3,107,311	5,231,880
Water and wastewater infrastructure	64,782,099	628,126	-	65,410,226
Total capital assets being depreciated	111,782,857	843,356	6,148,361	106,477,853
Less accumulated depreciation for:				
Buildings	5,311,448	266,838	1,885,696	3,692,590
Improvements other than buildings	16,938,702	1,147,657	27,560	18,058,799
Machinery and equipment	4,371,823	331,710	1,509,010	3,194,523
Water and wastewater infrastructure	29,494,812	1,524,240		31,019,052
Total accumulated depreciation	56,116,785	3,270,445	3,422,266	55,964,965
Total capital assets being depreciated, net	55,666,072	(2,427,089)	2,726,095	50,512,889
Capital assets, net	\$ 116,347,682	\$ 3,303,588	\$ 6,684,052	112,967,219
				(22,764,937)
				12,295,000
				\$ 102,497,282

Upon completion of construction, arterial roadways construction improvements, traffic control devices and certain storm drainage improvements are eligible to be dedicated to Douglas County, Colorado. Until accepted the cost is shown as Public Infrastructure to be dedicated and are shown as a reduction to the same category in capital assets when the acceptance is made.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

General government	\$ 4,751
Parks and open space	1,501,491
Cultural	239,963
Water and wastewater operations	1,524,240
Total depreciation expense	\$ 3,270,445

C) LONG-TERM DEBT

The District issues general obligation bonds to provide for the acquisition and construction of major capital facilities and for the investment in reserved capacity.

The District's long-term debt as of December 31, 2019 and the 2019 debt transactions are as follows:

	Balance January 1, 2019	Additions	Payments/ Amortization	Balance December 31, 12/31/2019	Current Portion
General Obligation	\$26,345,000	\$ -	\$ 3,540,000	\$22,805,000	\$ 3,615,000
Compensated Absences	316,911	327,965	320,142	324,734	27,200
	26,661,911	\$ 327,965	\$ 3,860,142	23,129,734	\$ 3,642,200
	3,563,600		Current portion	3,642,200	
	\$23,098,311		Long term portion	\$19,487,534	

The liability for compensated absences will be paid from the General Fund.

Post consolidation issued debt

The Highlands Ranch Metropolitan District Series 2016 General Obligation Refunding Loan, dated May 20, 2016 in the amount of \$29,800,000, is a tax exempt loan due in varying increasing amounts annually through 2025. Interest is at fixed rate of 1.8% payable semi-annually June 1 and December 1.

	Principal	Interest	Total
2020	\$ 3,615,000	\$ 410,490	\$ 4,025,490
2021	3,685,000	345,420	4,030,420
2022	3,760,000	279,090	4,039,090
2023	3,835,000	211,410	4,046,410
2024	3,915,000	142,380	4,057,380
2025	3,995,000	71,910	4,066,910
	\$22,805,000	\$ 1,460,700	\$ 24,265,700

As of December 31, 2019 the District has \$70,195,000 of authorized but unissued debt that was authorized as part of the 2006 consolidation election.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

CAPITAL LEASES PAYABLE

The District had no outstanding lease-purchase obligations outstanding during 2019.

D) INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The following schedule reflects the District's net receivables (payables) to other governmental entities at December 31, 2019:

Due (to) from	Centennial
Receivable Funds	
General	\$ 125,277
	125,277
Payable Funds	
General Fund	(9,838)
Utility Special Revenue	(1,954,459)
Mansion	(7,767)
Capital Projects	(70)
Other non-major	(4,875)
	(1,977,009)
	\$ (1,851,732)

E) INTERFUND TRANSFERS

The Board of Directors has determined and automatically appropriates for the following transfer of net investment income:

- the amounts earned in the Utility Special Revenue Fund are allocated between the General Fund and the Debt Service Fund.
- the amounts earned in the Capital Project Fund are transferred to the Debt Service Fund.

In addition, the Board specifically authorized and appropriated the following transfer of funds:

- from the General Fund to the Recreation Fund, which is included under Other Governmental Funds, to fund non-program expenses related to supporting programs.
- from the Capital Project Fund to the Debt Service Fund in order to provide for an ending fund balance in the Debt Service Fund approximately equal to the following years principal plus first interest payment.
- from the General Fund to the Capital Projects Fund the amount of funding required to fund the current year expenditures for stormwater management projects after consideration of funding received from capital contributions.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

The following schedule summarizes the District's inter-fund transfers during 2019:

	General Fund	Special Revenue Fund		Debt Service	Capital Projects	Nonmajor Funds
		Utility	Mansion			
Transfers in						
Net investment income	\$ 55,654	\$ -	\$ -	\$ 600,406	\$ -	\$ -
Specific board action					577,658	9,280,589
	<u>55,654</u>	<u>-</u>	<u>-</u>	<u>600,406</u>	<u>577,658</u>	<u>9,280,589</u>
Transfers out						
Net investment income		(61,477)			(545,743)	
Specific board action	(9,889,287)		(17,800)	-		
	<u>(9,889,287)</u>	<u>(61,477)</u>	<u>(17,800)</u>	<u>-</u>	<u>(545,743)</u>	<u>-</u>
	\$ (9,833,633)	\$ (61,477)	\$ (17,800)	\$ 600,406	\$ 31,915	\$ 9,280,589

Per accounting requirements provided by the state auditor, any transfers from the Conservation Trust Fund to the Capital Projects Fund are treated as an expense in the Conservation Trust Fund and as a revenue in the Capital Projects Fund.

F) DISPOSAL OF OPERATIONS

On May 8, 2019, voters approved inclusion of Highlands Ranch Metro District properties in South Metro Fire Rescue (SMFR). Beginning January 1, 2019 South Metro Fire Rescue began providing fire and emergency service. Per the intergovernmental agreement with SMFR the District transferred all fire and emergency related assets including fire stations and rolling to stock to SMFR.

Transferred assets (net)

Buildings and improvements	\$ 3,041,050
Transportation and Equipment	<u>3,107,311</u>
Total capital assets transferred	<u>6,148,361</u>
less accumulated depreciation	<u>(3,290,831)</u>
Loss on transfer	<u>\$ 2,857,530</u>

IV) OTHER INFORMATION

A) DEFINED CONTRIBUTION PENSION PLAN

All regular employees of the District participate in the Highlands Ranch Special Districts' Employees Retirement Plan (the Plan). The Plan is a defined contribution plan established through an interdistrict agreement with Centennial Water and Sanitation District forming the Highlands Ranch Special Districts' Employees Retirement Association which is governed by a retirement board comprised of the Treasurer of Highlands Ranch Metropolitan District, two citizens appointed by the Centennial Board and the District Board and two employee representatives elected at large, however both of the participating districts must be represented. The Retirement Board may recommend changes to the plans as well as the contribution amounts. The member Districts boards of directors must approve any changes recommended by the Retirement Association. The Retirement Association administers the Plan through the Principal Financial Group, Inc. No audited GAAP basis reports are prepared.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

At December 31, 2019 there were 191 active plan members comprised of 93 full and part-time members employed by the District and 98 full and part-time members employed by Centennial. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become Plan members upon employment as regular full time employees. Under the Plan, 6.2% of the Plan members' pensionable compensation is withheld and remitted to the Plan Administrator. The members are immediately invested in their contribution plus earnings. The District contributes a matching payment of 6.2% of Plan members' pensionable compensation. The District's contributions plus earnings become fully vested to the Plan members upon the completion of three years of Plan membership.

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 payments.

Actual contributions to the plan for the year ended December 31, 2019 were \$321,981 from Plan members and the District recognized pension expense in the amount of \$311,481 with no reduction in District pension expense as the result of forfeitures.

B) DEFERRED COMPENSATION PLAN

The District currently offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 administered by Principal Financial Group, Inc. Participation in the plan is optional for all employees. The District does provide a match for up to 4% of wages. The matching structure is 100% on the first 2% of employee contributions and 50% on employee contributions in excess of 2% up to a maximum of 4%. The plan allows employees to defer a portion of their salary until future years. All amounts deferred are held in trust for the exclusive benefit of participating employees.

C) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by 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 up to statutory limits, with claims related to 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' coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the pool, the pool may require additional contributions from the Pool members. Any excess funds that the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

D) COMMITMENTS

a) Operating Leases

The District leases office and maintenance facilities from Centennial on an annual basis under an operating lease. The rental expense, including overhead and maintenance, for the period ending December 31, 2019 was \$180,700.

b) Intergovernmental Water and Wastewater Service Agreements

The District has entered into a water and wastewater service agreement with Centennial. The agreement provides for Centennial to provide potable water and wastewater treatment services to areas included within the District in exchange for prepayment of the reserved capacity fees to Centennial (Note I.D) in anticipation of collection of future tap fees. The payment pursuant to the base portion of this agreement was \$394,122 for the year ended December 31, 2019 with cumulative payments and credits to Centennial of \$200,858,210. The District has minimum future payments due of approximately \$2,173,753 of which the base payment of \$942,814 has been budgeted for payment in 2020.

In addition, the District has elected to pay Centennial to provide total service. Total service under this agreement includes operation and maintenance of the District's facilities and the billing of the District's customers. This agreement expires in 2030.

e) Construction related commitments

As of December 31, 2019 unexpended appropriations for capital projects can be summarized as follows:

	Capital Projects		Major Repair	Conservation Trust
	General Govt.	Stormwater		
Appropriated but unexpended carried forward	\$ 1,690,610	\$ 670,345	\$ 142,555	\$ 132,848
New appropriations	454,760	608,000	2,211,439	493,100
Rescissions	(41,003)	290	(181,167)	-
Total available	2,104,367	1,278,635	2,172,827	625,948
Expenditures	(1,031,059)	(577,658)	(296,634)	(403,212)
Ending appropriated but unexpended	\$ 1,073,308	\$ 700,977	\$ 1,876,193	\$ 222,736

The appropriated but unexpended amounts are reflected in the fund balance as committed except for the Conservation Trust Fund that classifies the entire fund balance as restricted.

E) SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 26, 2020, the date which the financial statements were available to be issued. The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization (“WHO”), has caused business disruption in a variety of industries, markets and geographic regions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while we expect this matter to negatively impact our operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

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**HIGHLANDS RANCH METROPOLITAN DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Conservation Trust	Recreation	Water/Wastewater Reserves	Major Repair	
ASSETS					
Cash deposits and investments	\$ 1,651,276	\$ 107,972	\$ 800,000	\$ 10,666,163	\$ 13,225,411
Other	-	-		6,000	6,000
Total assets	<u>\$ 1,651,276</u>	<u>\$ 107,972</u>	<u>\$ 800,000</u>	<u>\$ 10,672,163</u>	<u>\$ 13,231,411</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and payroll liabilities	\$ 1,314	\$ 39,255	\$ -	\$ 118,229	\$ 158,798
Retainages payable	-	-	-	28,358	28,358
Customer deposits payable	-	64,767	-	-	64,767
Due to other governments	27	3,950	-	897	4,874
Total liabilities	<u>1,341</u>	<u>107,972</u>	<u>-</u>	<u>147,484</u>	<u>256,797</u>
Fund balances:					
Restricted					
Parks and recreation	1,649,935	-	-	-	1,649,935
Committed					
Capital projects	-	-	800,000	1,738,859	2,538,859
Assigned					
Capital projects fund	-	-	-	8,785,820	8,785,820
Total fund balances	<u>1,649,935</u>	<u>-</u>	<u>800,000</u>	<u>10,524,679</u>	<u>12,974,614</u>
Total liabilities and fund balances	<u>\$ 1,651,276</u>	<u>\$ 107,972</u>	<u>\$ 800,000</u>	<u>\$ 10,672,163</u>	<u>\$ 13,231,411</u>

See accompanying Independent Auditor's Report

HIGHLANDS RANCH METROPOLITAN DISTRICT
COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the year ended
December 31, 2019

	Special Revenue Funds			Major Repair	Total Nonmajor Governmental Funds
	Conservation Trust	Recreation	Water/Wastewater Reserves		
REVENUES					
Conservation trust fund	\$ 580,820	\$ -	\$ -	\$ -	\$ 580,820
Intergovernmental				100,000	100,000
Program fees	-	1,382,044	-	-	1,382,044
Net investment income	86,474	-	167	24,746	111,387
Other	-	-	300,000	859,525	1,159,525
Total Revenues	<u>667,294</u>	<u>1,382,044</u>	<u>300,167</u>	<u>984,271</u>	<u>3,333,776</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	473,971	473,971
Parks and open space	326,100	675,851	-	-	1,001,951
Recreation services		1,142,311	-	-	1,142,311
Capital:					
Major repair and renovation	77,112	-	-	433,968	511,080
Total Expenditures	<u>403,212</u>	<u>1,818,162</u>	<u>-</u>	<u>907,939</u>	<u>3,129,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>264,082</u>	<u>(436,118)</u>	<u>300,167</u>	<u>76,332</u>	<u>204,463</u>
OTHER FINANCING SOURCES (USES)					
Transfers in:	-	436,118	499,833	8,344,638	9,280,589
Total other financing sources (uses)	<u>-</u>	<u>436,118</u>	<u>499,833</u>	<u>8,344,638</u>	<u>9,280,589</u>
Net change in fund balances	264,082	-	800,000	8,420,970	9,485,052
Fund balances - beginning	<u>1,385,853</u>	<u>-</u>	<u>-</u>	<u>2,103,709</u>	<u>3,489,562</u>
Fund balances - ending	<u>\$ 1,649,935</u>	<u>\$ -</u>	<u>\$ 800,000</u>	<u>\$ 10,524,679</u>	<u>\$ 12,974,614</u>

See accompanying Independent Auditor's Report

**HIGHLANDS RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 3,965,978	\$ 3,965,978	\$ 3,983,285	\$ 17,307
Net investment income	70,000	70,000	150,422	80,422
Total Revenues	<u>4,035,978</u>	<u>4,035,978</u>	<u>4,133,707</u>	<u>97,729</u>
EXPENDITURES				
General government	500	500	300	200
Debt service	4,014,210	4,014,210	4,014,210	-
Total Expenditures	<u>4,014,710</u>	<u>4,014,710</u>	<u>4,014,510</u>	<u>200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,268</u>	<u>21,268</u>	<u>119,197</u>	<u>97,929</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:	-	-	600,406	600,406
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>600,406</u>	<u>600,406</u>
Net change in fund balance	21,268	21,268	719,603	698,335
Fund balance - beginning	4,692,897	4,779,711	4,779,711	-
Fund balance - ending	<u>\$ 4,714,165</u>	<u>\$ 4,800,979</u>	<u>\$ 5,499,314</u>	<u>\$ 698,335</u>

See accompanying Independent Auditor's Report

**HIGHLANDS RANCH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
System development fees	\$ 1,050,000	\$ 1,050,000	\$ 1,672,544	\$ 622,544
Net investment income	330,300	330,300	545,743	215,443
Contributions	277,000	277,000	-	(277,000)
Other	-	-	226,100	226,100
Total Revenues	1,657,300	1,657,300	2,444,387	787,087
EXPENDITURES				
Current:				
Cultural / Parks and Open Space	345,000	75,000	1,289	73,711
Capital:				
Capital outlay - capital projects fund	2,106,286	2,029,367	1,029,770	999,597
Capital outlay - stormwater management	405,000	1,278,635	577,658	700,977
Total Expenditures	2,856,286	3,383,002	1,608,717	1,774,285
Excess (deficiency) of revenues over (under) expenditures	(1,198,986)	(1,725,702)	835,670	2,561,372
OTHER FINANCING SOURCES (USES)				
Transfers in:	405,000	405,000	577,658	172,658
Transfers out:		-	(545,743)	(545,743)
Total other financing sources (uses)	405,000	405,000	31,915	(373,085)
Net change in fund balance	(793,986)	(1,320,702)	867,585	2,188,287
Fund balance - beginning	22,782,393	27,282,063	27,282,063	-
Fund balance - ending	\$ 21,988,407	\$ 25,961,361	\$ 28,149,648	\$ 2,188,287

**HIGHLANDS RANCH METROPOLITAN DISTRICT
 CONSERVATION TRUST SPECIAL REVENUE FUND
 STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
 BUDGET and ACTUAL
 For the year ended
 December 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Conservation Trust Fund	\$ 470,000	\$ 470,000	\$ 580,820	\$ 110,820
Net investment income	19,700	19,700	86,474	66,774
Total Revenues	489,700	489,700	667,294	177,594
EXPENDITURES				
Intergovernmental				
Payment to GG Capital Projects	-	326,100	326,100	-
Outlay (project length appropriations)	685,000	299,848	77,112	222,736
Total Expenditures	685,000	625,948	403,212	222,736
Excess (deficiency) of revenues over (under) expenditures	(195,300)	(136,248)	264,082	400,330
Net change in fund balances	(195,300)	(136,248)	264,082	400,330
Fund balances - beginning	1,075,052	1,385,853	1,385,853	-
Fund balances - ending	\$ 879,752	\$ 1,249,605	\$ 1,649,935	\$ 400,330

**HIGHLANDS RANCH METROPOLITAN DISTRICT
RECREATION SPECIAL REVENUE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Program fees and revenues	\$ 1,503,653	\$ 1,461,500	\$ 1,382,044	\$ (79,456)
Other	45,350	58,500	-	(58,500)
Total Revenues	<u>1,549,003</u>	<u>1,520,000</u>	<u>1,382,044</u>	<u>(137,956)</u>
EXPENDITURES				
Parks and open space	750,494	750,494	675,851	74,643
Recreation services	1,207,735	1,139,783	1,142,311	(2,528)
Total Expenditures	<u>1,958,229</u>	<u>1,890,277</u>	<u>1,818,162</u>	<u>72,115</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(409,226)</u>	<u>(370,277)</u>	<u>(436,118)</u>	<u>(65,841)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:	409,226	370,277	436,118	65,841
Total other financing sources (uses)	<u>409,226</u>	<u>370,277</u>	<u>436,118</u>	<u>65,841</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HIGHLANDS RANCH METROPOLITAN DISTRICT
MAJOR REPAIR FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other	\$ 730,000	\$ 730,000	\$ 959,525	\$ 229,525
Net investment income	24,700	24,700	24,746	46
Contributions	118,000	118,000	-	(118,000)
Total Revenues	872,700	872,700	984,271	111,571
EXPENDITURES				
Major repair, renovation and replacement	9,087,990	2,172,827	433,968	1,738,859
Vehicle and Equipment Replacement (non-fire)	248,804	248,804	473,971	(225,167)
Total Expenditures	9,336,794	2,421,631	907,939	1,513,692
Excess (deficiency) of revenues over (under) expenditures	(8,464,094)	(1,548,931)	76,332	1,625,263
OTHER FINANCING SOURCES (USES)				
Transfers in:	7,990,804	7,990,804	8,344,638	353,834
Transfers out:	-	-	-	-
Total other financing sources (uses)	7,990,804	7,990,804	8,344,638	353,834
Net change in fund balance	(473,290)	6,441,873	8,420,970	1,979,097
Fund balance - beginning	1,806,668	2,103,709	2,103,709	-
Fund balance - ending	\$ 1,333,378	\$ 8,545,582	\$ 10,524,679	\$ 1,979,097

See accompanying Independent Auditor's Report

**HIGHLANDS RANCH METROPOLITAN DISTRICT
STATISTICAL SECTION
DECEMBER 31, 2019**

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 & Charts</u>	<u>Pages</u>
FINANCIAL TRENDS These tables and charts contain trend information to help the reader understand how the District's financial condition has changed over time.	A1 – A5	33-38
REVENUE CAPACITY These tables and charts contain information to help the reader assess the District's largest revenue source.	B1 – B4	39-43
DEBT CAPACITY These tables and charts present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue debt in the future.	C1-C2	44-46
DEMOGRAPHIC & ECONOMIC INFORMATION 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	47-48
OPERATING INFORMATION 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	49

Highlands Ranch Metropolitan District

TABLE A-1

NET POSITION BY COMPONENT

Last Ten Years (SEE NOTE)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net investment in capital assets	\$ 50,269,630	\$ 60,390,587	\$ 69,576,658	\$ 71,527,866	\$ 79,196,482	\$ 85,523,946	\$ 93,783,969	\$ 95,646,229	\$ 102,297,682	\$ 102,497,282
Restricted for:										
Emergency reserves	475,000	511,000	555,000	499,000	561,000	530,000	412,000	785,000	760,000	552,000
Parks and Recreation	1,085,518	892,683	783,448	1,245,446	1,612,558	1,912,044	2,476,958	3,007,342	1,385,853	1,649,935
Debt Service	7,673,206	7,736,821	9,155,624	9,181,636	9,196,477	8,152,237	625,741	4,278,172	4,740,629	5,465,482
Unrestricted	18,585,755	16,577,561	14,457,103	17,952,162	18,231,557	22,415,774	29,922,310	33,425,152	43,986,567	53,878,214
Total Governmental activities net assets	<u>\$ 78,089,109</u>	<u>\$ 86,108,652</u>	<u>\$ 94,527,833</u>	<u>\$ 100,406,110</u>	<u>\$ 108,798,074</u>	<u>\$ 118,534,001</u>	<u>\$ 127,220,978</u>	<u>\$ 137,141,895</u>	<u>\$ 153,170,731</u>	<u>\$ 164,042,913</u>

Highlands Ranch Metropolitan District

TABLE A-2

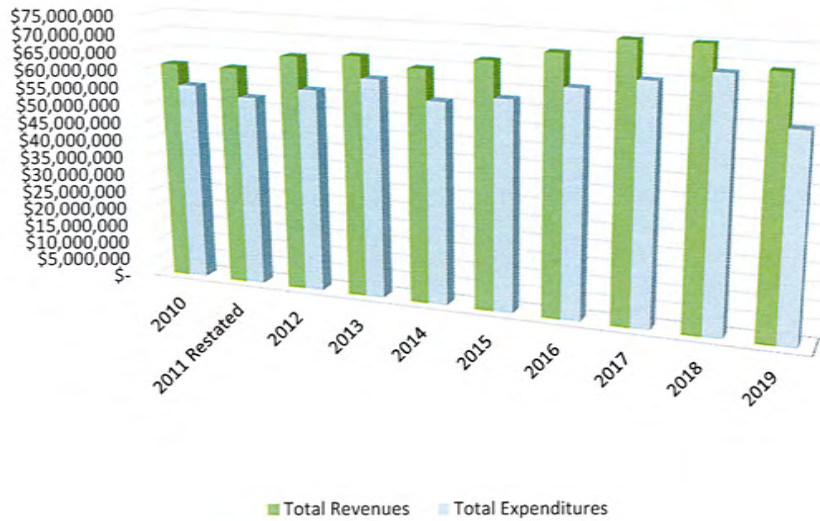
CHANGE IN NET POSITION

Last Ten Years (SEE NOTE)

	2009	2010	2011 Restated	2012	2013	2014	2015	2016	2017	2018	2019
EXPENSES											
Governmental Activities:											
Operations											
General government	\$ 2,913,379	\$ 2,515,201	\$ 2,324,158	\$ 1,930,888	\$ 1,985,639	\$ 2,092,514	\$ 2,095,072	\$ 2,150,671	\$ 2,141,593	\$ 2,424,163	\$ 2,895,769
Public Works	1,260,147	2,292,364	591,034	633,611	7,651,931	859,597	780,214	754,766	811,057	841,755	886,784
Public Safety	6,273,990	6,589,634	6,340,509	6,491,853	6,702,622	7,174,233	7,764,336	8,209,592	9,496,956	9,101,571	13,510
Streetlights	1,301,123	1,432,723	1,246,780	1,276,853	1,561,104	1,373,169	1,450,533	1,208,848	1,408,707	1,138,135	1,142,622
Parks, open space & recreation services	9,531,869	9,478,032	9,558,711	9,859,461	9,277,181	9,789,182	10,466,601	10,632,651	11,230,809	13,091,021	11,695,986
Cultural	-	62,804	128,116	816,946	652,008	690,234	777,930	774,605	861,440	944,990	841,166
Water and wastewater operations	27,951,521	29,042,054	29,365,828	32,338,684	30,093,794	31,512,290	32,504,644	36,862,402	38,554,433	40,018,837	37,597,289
Interest on long term debt	4,344,272	4,034,660	3,622,307	3,200,758	2,820,930	2,455,638	2,020,179	1,385,959	521,963	536,138	481,964
Total governmental activities expenses	53,576,301	55,447,472	53,177,443	56,549,054	60,745,209	55,946,857	57,859,509	61,979,494	65,026,957	68,096,610	55,555,090
PROGRAM REVENUES											
Charges for services											
Water and wastewater operations	23,462,391	25,605,539	25,862,585	27,895,044	26,038,041	27,451,048	28,789,563	31,927,850	31,950,804	34,394,092	35,064,777
General Fund operations											
Public Safety		1,000	1,000	-		41,694	13,767	24,476	-	-	-
General government	562,663	786,441	781,518	531,480	537,144	544,653	586,902	539,085	777,887	694,497	735,641
Street lights	726,042	743,636	755,283	1,100,303	1,167,601	1,163,641	1,355,021	1,441,425	1,452,173	1,456,098	1,470,363
Parks, open space & recreation services	1,264,433	1,350,801	1,891,552	2,157,025	1,486,021	1,505,838	1,692,172	1,517,055	1,508,465	3,461,651	1,775,849
Cultural			1,250	187,862	481,834	424,348	580,559	570,017	679,340	575,529	684,621
Public Works	636,781	575,994	1,153,615	1,211,586	1,216,582	1,235,494	1,416,999	1,370,359	1,302,630	1,556,073	2,080,755
Capital grants and contributions											
Tap fees	1,349,540	1,442,235	2,354,296	3,499,380	4,597,540	3,068,780	3,095,135	1,470,610	3,582,280	3,631,880	3,111,680
System Development fees	2,074,786	1,448,316	2,073,896	3,203,647	3,699,566	2,620,591	3,019,829	1,420,565	2,294,482	4,294,725	1,672,544
Conservation Trust Fund	438,370	421,447	437,102	462,064	503,045	458,543	468,436	553,043	500,312	524,645	580,820
Capital contributions	531,250	887,008	94,431	230,462	386,002	81,159	140,000	50,380	160,250	998,699	85,000
Donated assets	2,261,311	2,682,092	447,941	1,233,285	2,486,272	196,743	376,104	1,485,811	1,727,411	551,502	628,127
Total governmental activities revenues	33,307,567	35,944,509	35,854,469	41,712,138	42,599,648	38,792,532	41,534,487	42,370,676	45,936,034	52,139,391	47,890,177
NET (EXPENSE)/ REVENUE											
Governmental Activities	(20,268,734)	(19,502,963)	(17,322,974)	(14,836,916)	(18,145,561)	(17,154,325)	(16,325,022)	(19,608,818)	(19,090,924)	(15,957,219)	(7,664,913)
GENERAL REVENUES											
Property taxes	24,091,293	24,492,498	24,526,401	23,310,293	23,936,517	25,015,160	25,555,782	27,613,074	28,398,826	30,725,902	18,868,797
Net investment income	1,109,122	749,688	705,477	432,243	(57,393)	351,194	285,670	512,243	472,219	1,161,434	2,265,996
Other	122,275	59,387	110,643	55,455	144,713	179,936	219,497	170,478	140,796	98,717	259,833
Total general revenues	25,322,690	25,301,573	25,342,521	23,797,991	24,023,837	25,546,290	26,060,949	28,295,795	29,011,841	31,986,053	21,394,626
SPECIAL ITEM - Transfer of Operations											
CHANGE IN NET POSITION	5,053,956	5,798,610	8,019,547	8,961,075	5,878,276	8,391,965	9,735,927	8,686,977	9,920,917	16,028,834	10,872,183
Restatement of prior years to implement GASB 65											
			(541,894)								
NET POSITION - BEGINNING OF YEAR	67,236,539	72,290,495	78,089,105	85,566,758	94,527,833	100,406,109	108,798,074	118,534,001	127,220,978	137,141,895	153,170,729
NET POSITION - END OF YEAR	\$ 72,290,495	\$ 78,089,105	\$ 85,566,758	\$ 94,527,833	\$ 100,406,109	\$ 108,798,074	\$ 118,534,001	\$ 127,220,978	\$ 137,141,895	\$ 153,170,729	\$ 164,042,912

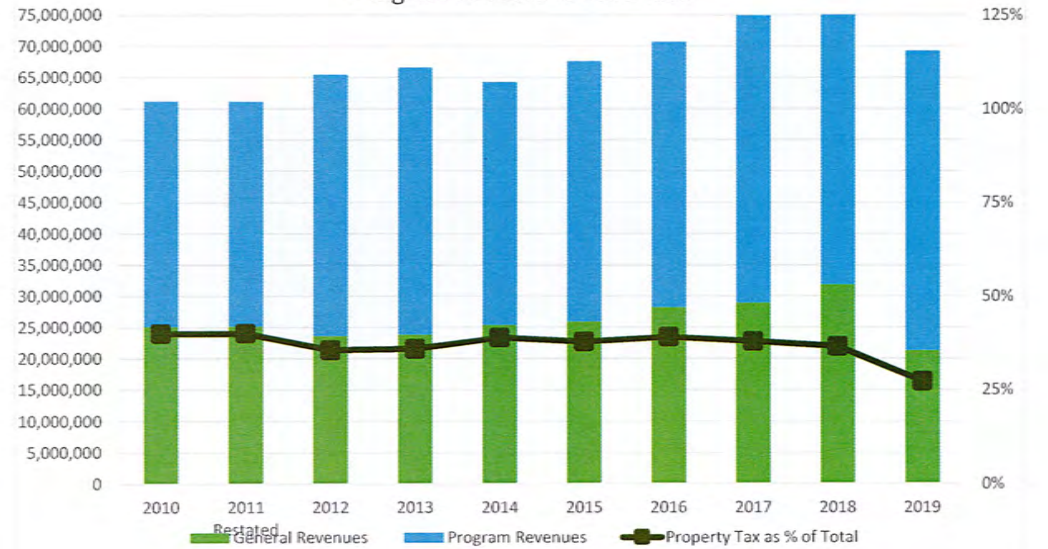
Highlands Ranch Metropolitan District
 CHARTS A-2
 Last Ten Years

Total Revenues and Expenditures



35

Program & General Revenues



Highlands Ranch Metropolitan District
TABLE A-3
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Years (SEE NOTE)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 475,000									
Unreserved	13,377,026									
Restricted		\$ 511,000	\$ 556,000	\$ 499,000	\$ 561,000	\$ 530,000	\$ 412,000	\$ 785,000	\$ 760,000	\$ 552,000
Committed		288,482	858,293	1,277,836	1,141,398	1,298,266	1,007,119	1,103,798	1,320,736	1,548,722
Unassigned		14,442,223	15,245,656	15,882,783	14,898,929	14,902,707	16,256,814	16,250,248	19,067,023	16,099,638
Total General Fund	<u>13,852,026</u>	<u>15,241,705</u>	<u>16,659,949</u>	<u>17,659,619</u>	<u>16,601,327</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>
All other Governmental Funds										
Reserved	9,063,918									
Unreserved										
Special Revenue fund	6,396,854									
Capital Projects fund	21,808,380									
Restricted		8,870,298	10,113,448	10,575,446	10,942,558	10,162,044	3,156,715	7,329,723	6,165,565	7,149,249
Committed										
Utility Special Revenue fund		2,494,062	2,717,556	4,535,327	4,785,516	5,656,723	3,878,410	2,395,844	2,230,433	4,661,583
Capital Projects fund		2,503,473	910,140	780,317	465,234	1,337,820	636,445	3,879,466	1,690,610	1,073,308
Other Governmental funds		30,811	4,802,144	4,133,514	4,786,687	4,840,787	4,904,274	5,172,898	4,684,000	7,389,871
Assigned										
Capital Projects fund		12,823,260	8,809,451	8,433,969	6,740,154	5,766,329	13,367,737	15,037,209	25,591,453	27,076,340
Other Governmental funds		6,499,589	1,420,901	1,525,437	2,227,028	2,844,945	2,362,536	2,102,732	1,961,154	8,648,486
Total all other governmental funds	<u>37,269,152</u>	<u>33,221,493</u>	<u>28,773,640</u>	<u>29,984,010</u>	<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>
Total all funds	<u>\$ 51,121,178</u>	<u>\$ 48,463,198</u>	<u>\$ 45,433,589</u>	<u>\$ 47,643,629</u>	<u>\$ 46,548,504</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>

NOTES:

(1) Information post 2010 reflects required format per GASB 54

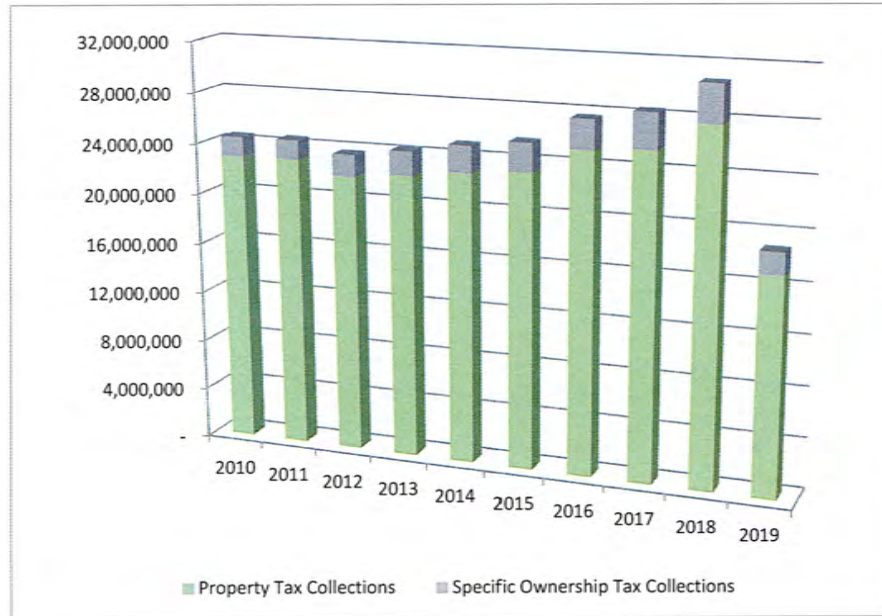
Highlands Ranch Metropolitan District
TABLE A-4
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
Last Ten Years (SEE NOTE)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Property taxes	\$ 24,492,498	\$ 24,526,401	\$ 23,310,293	\$ 23,936,517	\$ 25,015,160	\$ 25,555,782	\$ 27,613,074	\$ 28,398,826	\$ 30,725,902	\$ 18,868,797
System Development fees	1,448,316	2,073,896	3,203,647	3,699,566	2,620,591	3,019,829	1,420,565	2,294,481	4,294,725	1,672,544
Tap fees	1,442,235	2,354,296	3,499,380	4,597,540	3,068,780	3,095,135	1,470,610	3,582,280	3,631,880	3,111,680
Water operations	18,161,756	18,138,859	19,921,448	17,722,012	19,081,069	19,981,342	22,597,760	22,391,288	24,503,256	24,048,223
Wastewater operations	7,443,783	7,723,726	7,973,596	8,316,029	8,369,979	8,808,221	9,330,090	9,559,516	9,890,836	11,016,554
Street light fees	743,636	755,283	1,100,303	1,167,601	1,163,641	1,355,021	1,441,425	1,452,171	1,456,098	1,470,363
Stormwater management fees	-	641,616	701,272	723,998	725,968	734,611	740,973	784,678	829,140	889,103
Conservation Trust Fund	421,447	437,102	462,064	503,045	458,543	468,436	553,043	500,312	524,645	580,820
Program Fees	1,318,206	1,326,325	1,592,087	1,866,333	1,819,939	1,885,624	1,837,352	2,020,035	1,868,678	2,045,711
Intergovernmental	909,903	1,380,106	1,131,466	584,325	626,666	771,518	614,905	815,166	2,807,354	1,093,268
Net investment income (loss)	749,688	705,477	432,243	(57,392)	351,194	285,670	512,243	472,219	1,161,434	2,265,996
Contributions	762,867	94,431	230,462	386,002	81,159	140,000	50,380	160,250	998,699	85,000
Other	669,660	591,531	718,582	691,638	759,391	1,118,143	998,240	789,240	881,295	1,508,617
Total Revenues	58,563,995	60,749,049	64,276,843	64,137,214	64,142,080	67,219,332	69,180,660	73,220,462	83,573,942	68,656,676
EXPENDITURES										
Current:										
General government	2,362,380	2,161,154	1,927,999	1,883,312	2,131,940	2,081,299	2,134,933	2,131,317	2,401,689	2,886,609
Public Safety	7,867,603	7,423,112	7,604,529	8,131,241	8,414,917	9,051,875	9,231,499	10,704,073	9,970,298	1,156,132
Parks and open space	7,430,602	7,497,087	7,683,853	7,158,764	7,664,304	8,069,845	8,198,521	8,366,074	10,685,061	8,871,021
Recreation services	845,838	856,233	867,390	917,580	870,743	883,744	942,020	1,523,413	1,014,693	1,142,311
Cultural	15,741	65,366	661,330	428,310	463,732	545,093	481,376	538,608	645,073	601,203
Public Works	654,472	608,969	571,596	616,861	612,498	666,454	573,737	624,465	676,602	715,180
Stormwater	-	-	103,489	107,683	142,818	108,108	179,633	192,185	159,131	168,459
Water operations	18,161,756	18,138,859	19,921,448	17,722,012	19,081,069	19,981,342	22,597,760	22,391,288	24,503,256	24,048,223
Wastewater operations	7,443,783	7,723,726	7,973,596	8,316,029	8,369,979	8,808,221	9,330,090	9,559,516	9,890,836	11,016,554
Investment in reserved capacity	2,129,454	2,188,557	3,108,063	2,673,681	2,645,632	2,295,310	3,488,508	5,120,020	4,115,252	1,008,272
Debt service - principal	8,278,727	8,676,535	9,052,935	8,944,527	9,350,404	9,770,000	7,135,000	-	3,455,000	3,540,000
Debt service - interest	4,219,349	3,814,527	3,384,704	2,949,393	2,545,976	2,103,320	1,304,580	536,400	536,400	474,210
Bond Issuance costs	-	-	-	-	-	-	73,604	-	-	-
Capital outlay related	3,053,530	4,252,904	4,445,520	2,077,784	2,943,191	2,063,606	4,937,916	3,458,234	6,106,598	2,300,280
Total Expenditures	62,463,235	63,407,029	67,306,452	61,927,177	65,237,203	66,428,217	70,609,177	65,145,593	74,159,889	57,928,454
Excess of revenues over (under) expenditures	(3,899,240)	(2,657,980)	(3,029,609)	2,210,037	(1,095,123)	791,115	(1,428,517)	8,074,869	9,414,053	10,728,223
OTHER FINANCING SOURCES										
Transfer in:	7,806,812	4,007,330	5,958,989	4,291,064	6,910,229	4,196,717	(3,744,627)	5,993,501	5,725,120	10,514,307
Transfer out:	(7,806,812)	(4,007,330)	(5,958,989)	(4,291,064)	(6,910,229)	(4,196,717)	3,744,626	(5,993,501)	(5,725,120)	(10,514,307)
Capital Lease	-	-	-	-	-	-	-	-	-	-
Proceeds from bonds issued	-	-	-	-	-	-	29,800,000	-	-	-
Payment to refunded escrow agent	-	-	-	-	-	-	(29,729,054)	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	70,945	-	-	-
Net Change in Fund Balances	\$ (3,899,240)	\$ (2,657,980)	\$ (3,029,609)	\$ 2,210,037	\$ (1,095,123)	\$ 791,115	\$ (1,357,572)	\$ 8,074,869	\$ 9,414,053	\$ 10,728,223
Debt service as a percentage of noncapital expenditures	21%	21%	20%	20%	19%	18%	13%	1%	6%	7%

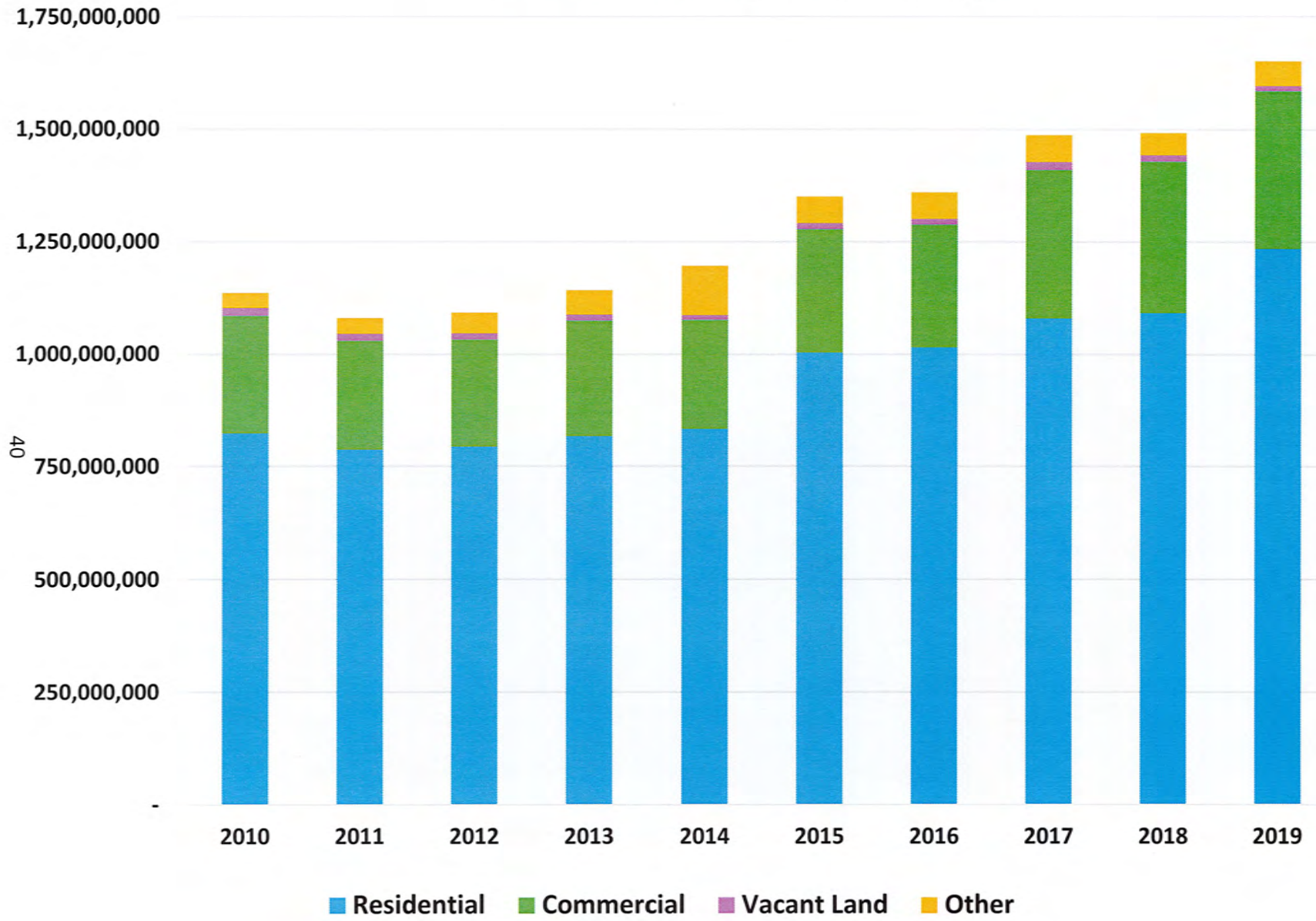
Highlands Ranch Metropolitan District
 TABLE A-5
 TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
 Last Ten Years

Collection Year	Property Tax Collections	Specific Ownership Tax Collections	New Growth		Total Tax Collections
			Growth Valuation	Growth Tax Collections	
2010	22,894,839	1,597,659	-	-	24,492,498
2011	22,972,711	1,553,690	-	-	24,526,401
2012	21,968,366	1,717,458	-	-	23,310,293
2013	22,363,424	1,895,756	-	-	23,936,517
2014	22,898,399	2,116,761	-	-	25,015,160
2015	23,271,839	2,283,942	-	-	25,555,782
2016	25,240,106	2,372,968	-	-	27,613,074
2017	25,555,431	2,843,395	-	-	28,398,826
2018	27,737,316	2,988,586	-	-	30,725,902
2019	17,116,130	1,752,667	-	-	18,868,797

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Assessed Value by Property Type



Highlands Ranch Metropolitan District
 TABLE B-1
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Years

Assessment Year	Residential	Commercial	Business Personal Property	Vacant Land	Other	Total Assessed Value	Total Direct Tax Rate	Total Actual Value	Ratio of Assessed to Actual Value	Annual increase (decrease) in actual value
2009	820,115,390	266,150,410	56,757,920	18,144,410	25,687,070	1,186,855,200	19.713	11,567,811,705	10.26%	
2010	823,787,710	262,083,200	55,155,660	17,421,270	33,246,320	1,191,694,160	19.713	11,617,975,975	10.26%	0.43%
2011	787,793,780	241,956,610	53,705,680	15,880,930	34,588,070	1,133,925,070	19.713	11,090,851,006	10.22%	-4.54%
2012	794,336,090	238,436,310	55,496,750	13,958,640	45,506,970	1,147,734,760	19.713	11,197,999,390	10.25%	0.97%
2013	817,028,890	257,811,620	54,609,760	13,205,630	54,143,091	1,196,798,991	19.713	11,573,520,551	10.34%	3.35%
2014	833,591,020	242,784,670	61,369,820	10,514,010	109,683,140	1,204,989,130	19.713	11,751,646,069	10.25%	1.54%
2015	1,003,448,250	274,626,450	67,464,200	13,121,170	58,757,000	1,417,417,070	18.205	14,035,712,023	10.10%	19.44%
2016	1,014,925,740	273,176,560	66,442,310	12,750,670	58,510,700	1,425,805,980	18.205	14,167,343,204	10.06%	0.94%
2017	1,079,801,740	330,363,310	65,084,660	17,105,550	60,002,440	1,552,357,700	18.205	16,624,700,399	9.34%	17.35%
2018	1,091,918,930	336,748,950	67,469,600	13,899,110	49,849,110	1,559,885,700	11.205	18,934,775,130	8.24%	13.90%
2019	1,234,743,190	350,814,380	73,813,870	11,305,070	55,205,650	1,725,882,160	11.205	18,934,775,130	9.11%	0.00%

Notes:

- (1) The Assessment Year is the year that the assessed value is based upon. The taxes for the assessment year are collected one year later.
- (2) The taxable real property assessed value **excludes** both HB 1006 new growth assessments and tax exempt property.

Highlands Ranch Metropolitan District
TABLE B-2
PROPERTY TAX RATES - DIRECT and ALL OVERLAPPING GOVERNMENTS
(PER \$1,000 ASSESSED VALUATION)
Last Ten Years

Year	District Rate			Overlapping Entities rates						Total
	General Fund	Debt Service	Total	Douglas County	DC Law Enforcement	DC Library	DC School District	Urban Drainage & Flood Control	South Metro Fire Rescue	
2010	12.342	7.371	19.713	19.774	4.500	4.016	46.983	0.569		95.555
2011	12.342	7.371	19.713	19.774	4.500	4.034	46.890	0.576		95.487
2012	12.632	7.081	19.713	19.774	4.500	4.040	48.788	0.623		97.438
2013	12.342	7.371	19.713	19.774	4.500	4.068	48.727	0.657		97.439
2014	12.842	6.871	19.713	19.774	4.500	4.029	48.277	0.672		96.965
2015	12.842	6.871	19.713	19.774	4.500	4.032	48.277	0.700		96.996
2016	12.805	5.400	18.205	19.774	4.500	4.035	42.439	0.611		89.564
2017	15.330	2.875	18.205	19.774	4.500	4.021	38.996	0.557		86.053
2018	8.600	2.605	11.205	19.774	4.500	4.008	44.950	0.820	9.250	94.507
2019	8.905	2.300	11.205	19.274	4.500	4.023	43.839	0.997	9.250	93.088

Notes:

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

Highlands Ranch Metropolitan District
TABLE B-3
SIGNIFICANT TAXPAYERS WITHIN THE DISTRICT

Customer	Type of Business	2019	
		Assessed Value	% of Total Taxable Assessed Value
1 PLAZA DRIVE PROPERTIES LLC	Offices	\$ 21,649,180	1.3%
2 HRTC I LLC (Highlands Ranch Town Center)	Retail	9,728,240	0.6%
3 VISA USA INC	Offices	8,575,650	0.5%
4 BLUE RIDGE (PALAMINO PARK)	Apartments	7,847,840	0.5%
5 T C PALOMINO GREEN RIVER LLC	Apartments	7,287,280	0.4%
6 NETREIT SC II LLC	Offices	7,098,100	0.4%
7 MLATL FAMILY LLLP	Offices	7,015,110	0.4%
8 REDWOOD ERC LITTLETON LLC (Wind Crest)	Senior Living	6,766,410	0.4%
9 LPF LEGACY AT HIGHLANDS RANCH LLC	Apartments	6,638,060	0.4%
10 1745 LLC	Offices	6,545,130	0.4%
		89,151,000	5.2%
		1,636,731,160	94.8%
TOTAL		\$ 1,725,882,160	100.00%

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TAXABLE ASSESSED VALUATION for collection year 2019
Source: Douglas County Assessor

Highlands Ranch Metropolitan District
TABLE B-4
PROPERTY TAX LEVIES AND COLLECTIONS, GOVERNMENTAL FUNDS
Last Ten Years

Collection Year	District Mill Levy	Assessed Valuation	Total Base Tax Levy	Collections within the Fiscal Year of the Levy		Net Collections / (rebates) in Subsequent Years	Total Collections to Date	
				Amount	% of Levy		Amount	% of Levy
2009	19.750	1,143,211,640	22,578,430	22,400,353	99.21%	(77,358)	22,322,995	98.87%
2010	19.713	1,186,855,200	23,396,477	22,894,839	97.86%	(44,100)	22,850,739	97.67%
2011	19.713	1,191,694,160	23,491,867	22,972,711	97.79%	(105,989)	22,866,722	97.34%
2012	19.713	1,133,925,070	22,353,065	21,968,366	98.28%	(49,352)	21,919,014	98.06%
2013	19.713	1,147,734,760	22,625,295	22,363,424	98.84%	(3,699)	22,359,725	98.83%
2014	19.713	1,196,798,991	23,592,499	22,894,320	97.04%	(32,017)	22,862,303	96.90%
2015	19.713	1,204,989,130	23,753,951	23,271,839	97.97%	(19,934)	23,251,905	97.89%
2016	18.205	1,417,417,070	25,804,078	25,240,106	97.81%	(17,037)	25,223,070	97.75%
2017	18.205	1,425,805,980	25,956,798	25,555,431	98.45%	(10,886)	25,544,545	98.41%
2018	18.205	1,552,357,700	28,260,672	27,737,316	98.15%	NA	27,737,316	98.15%
2019	11.205	1,559,885,700	17,478,519	17,116,130	97.93%	NA	17,116,130	97.93%

Notes:

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

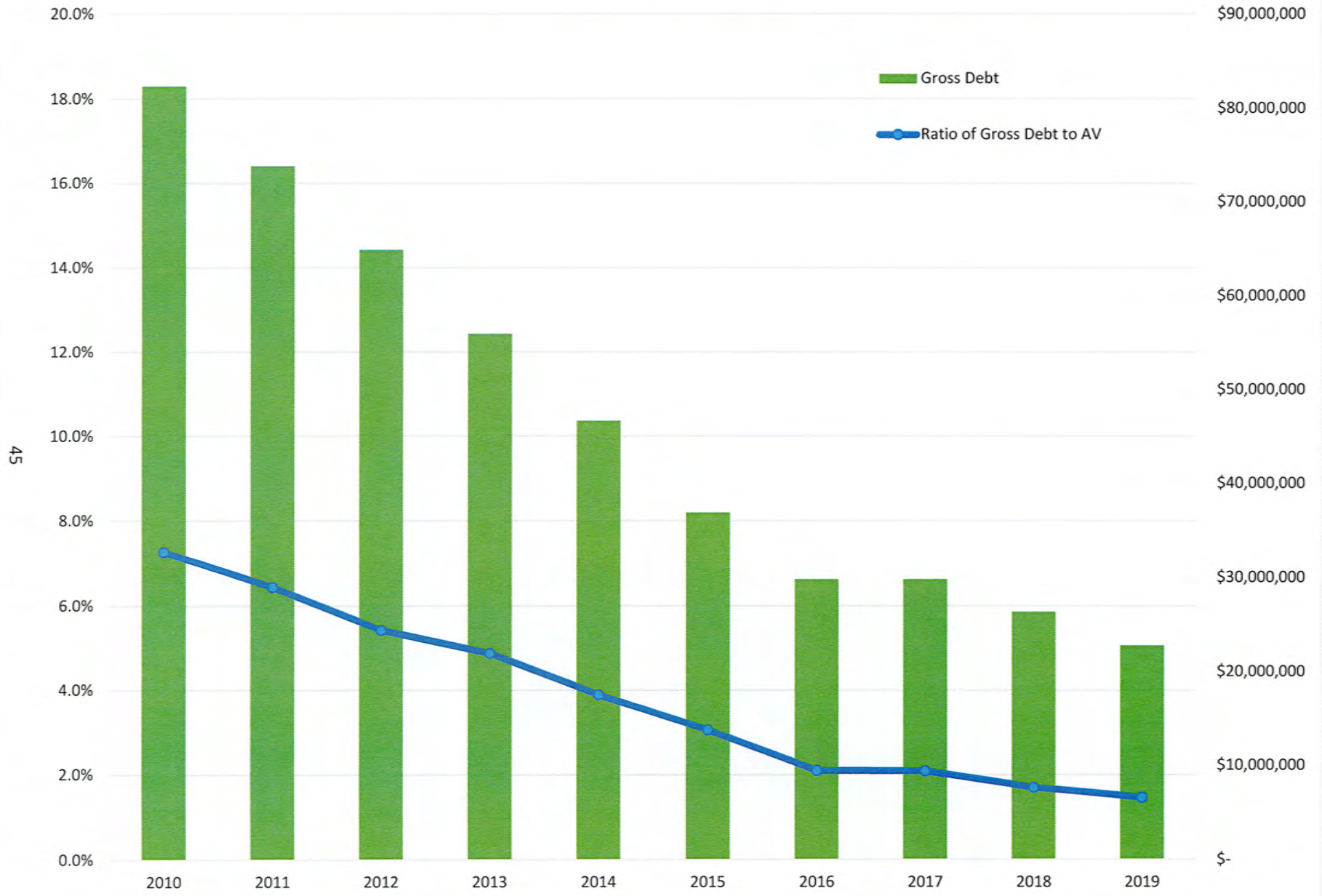
Highlands Ranch Metropolitan District
TABLE C-1
RATIO OF GENERAL BONDED DEBT
TO ASSESSED VALUE, ACTUAL VALUE AND DEBT PER CAPITA
Last Ten Years

Collection year				RATIO OF GROSS GO DEBT			RATIO OF NET GO DEBT		
	Gross GO Bonded Debt Outstanding	Less Debt Service Fund Balance	Net GO Bonded Debt Outstanding	To Collection year Assessed Value	To collection year Actual Value	Per Capita	To Assessed Value	To Actual Value	Per Capita
2009	90,455,000	8,835,000	81,620,000	7.6%	0.8%	973	6.8%	0.7%	878
2010	82,345,000	7,978,400	74,366,600	7.3%	0.7%	883	6.6%	0.7%	797
2011	73,830,000	7,977,615	65,852,385	6.4%	0.7%	786	5.7%	0.6%	701
2012	64,890,000	9,330,000	55,560,000	5.4%	0.6%	684	4.6%	0.5%	586
2013	55,965,000	9,330,000	46,635,000	4.9%	0.5%	583	3.9%	0.4%	486
2014	46,635,000	9,330,000	37,305,000	3.9%	0.4%	481	3.1%	0.3%	384
2015	36,865,000	8,252,200	28,612,800	3.1%	0.3%	376	2.0%	0.2%	292
2016	29,800,000	679,757	29,120,243	2.1%	0.2%	309	2.0%	0.2%	302
2017	29,800,000	4,322,381	25,477,619	2.1%	0.2%	306	1.6%	0.2%	262
2018	26,345,000	4,692,897	21,652,103	1.7%	0.2%	262	1.4%	0.1%	215
2019	22,805,000	3,540,000	19,265,000	1.5%	0.1%	218	1.1%	0.1%	184

Notes:

- (1) **Assessed** value and **Actual** value information found on Table B-1. B-1 shows assessment year. The Collection year is one year later, therefore the value used to calculate % is the prior year Assessed and Actual value from Table B-1.
- (2) Population estimates 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 long term debt and are not included in the ratios.

Ratio of Gross Debt to Assessed Value



Highlands Ranch Metropolitan District
 TABLE C-2
 COMPUTATION OF OVERLAPPING and DIRECT DEBT and RELATED DEBT RATIOS
 12/31/2019

Name of Overlapping Entity	Total 2019 Assessed Valuation	Outstanding General Obligation Debt	Allocable to the District	
			Percentage	Amount
Overlapping Debt				
Douglas County School District	\$7,239,081,296	\$ 486,665,000	23.84%	\$ 116,026,662
Hunting Hill Metro District	6,502,570	7,090,000	100.00%	7,090,000
Total Overlapping Debt				123,116,662
Direct Debt - Highlands Ranch Metro District				
General Obligation	1,725,882,160	22,805,000	100.00%	22,805,000
Leases subject to annual appropriation	1,725,882,160	-	100.00%	-
Total Direct Debt				22,805,000
Total Overlapping and Direct Debt				\$ 145,921,662
ESTIMATED POPULATION				104,465
ESTIMATED CURRENT MARKET VALUATION				\$ 18,934,775,130
RATIOS				
Direct Debt to Assessed Valuation				1.32%
Direct Debt to Market Valuation				0.12%
Direct plus Overlapping Debt to Assessed Valuation				8.45%
Direct plus Overlapping Debt to Market Valuation				0.77%
Direct Debt Per Capita			\$	218
Direct Plus Overlapping Debt Per Capita			\$	1,397

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 Authority
- (2) Source for the Douglas County School District RE-1 Debt is their CAFR dated June 30, 2018.
- (3) 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.
- (4) Based upon statutory "assessed" and "actual" valuation per Douglas County, Colorado Office of the Assessor as of January 1, 2017 collected in 2018

Highlands Ranch Metropolitan District
 TABLE D-1
 DOUGLAS COUNTY, COLORADO - DEMOGRAPHIC STATISTICS
 Last Ten Years

Year	Total Highlands Ranch	DOUGLAS COUNTY, COLORADO								
		Estimated Population	Personal Income (\$1,000) (3)	Personal Income Per Capita (3)	Median Age (3)	Average Household Size (3)	Occupancy % (3)	Public School Enrollment	School Enrollment to Population	Unemploy- ment Rate (3)
2009	94,157	290,059	15,466,947	59,358	34.3	2.89	97.80%	56,031	19.3%	6.6%
2010	94,482	288,430	15,278,947	60,723	36.6	2.84	96.80%	59,932	20.8%	8.3%
2011	93,525	293,000	16,479,085	71,463	36.6	2.84	96.80%	61,465	21.0%	6.7%
2012	94,480	300,500	18,000,244	73,516	37.4	2.84	96.80%	63,114	21.0%	6.3%
2013	95,980	309,760	18,801,567	61,369	37.5	2.84	96.80%	64,600	20.9%	5.4%
2014	97,052	319,210	20,343,382	64,613	36.9	2.84	96.80%	67,000	21.0%	4.0%
2015	98,013	327,230	21,277,108	65,999	37.2	2.88	94.30%	66,702	20.4%	2.6%
2016	96,306	336,000	22,641,653	67,139	37.6	2.84	96.80%	66,896	19.9%	2.8%
2017	97,415	346,000	22,765,492	65,796	38.9	2.88	94.30%	67,740	19.6%	2.6%
2018	100,653	358,000	NA	NA	NA	2.88	94.30%	NA	NA	2.9%
2019	104,465	370,000	25,249,718	73,662	38.1	2.79	98.50%	67,591	18.3%	0.0%

Notes:

- (1) The Highlands Ranch Metropolitan District is located within Douglas County. Demographic data, other than population estimates, for the District is not available. However the county data is generally representative of the District.
- (2) Douglas County Community Development Department estimate
- (3) Estimated population based on number of housing units times average household size and occupancy rate.
- (4) NA - Not Available yet

Highlands Ranch Metropolitan District

TABLE D-2

Douglas County, Colorado

Principal Employers

Employer	2019			2010		
	Rank	% of Total		Rank	% of Total	
Douglas County School District	1	7,620	5.8%	1	7,500	5.2%
Charles Schwab	2	4,400	3.3%			
Dish Network	3	2,750	2.1%	2	1,725	1.2%
Centura Health (Parker & Castle Rock)	4	1,510	1.1%			
Sky Ridge Medical Center	5	1,340	1.0%	8	1,000	
Douglas County	6	1,290	1.0%	4	1,100	
Jacobs Engineering (formerly CH2M Hill)	7	1,120	0.8%	3	1,125	5.2%
VISA-Inovant	8	990	0.7%			
Computer Share / Specialized Loan Servicing	9	960	0.7%			
Congizant	10	850	0.6%			
Time Warner				5	1,100	0.8%
Western Union				6	1,075	0.7%
Nextel				7	1,050	0.7%
Aurora Loan Services				9	800	0.6%
Avaya				10	775	0.5%

Highlands Ranch Metropolitan District

TABLE E-1
OPERATING INFORMATION
12/31/2019

	EMPLOYEES AS OF DECEMBER 31, 2019									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government	16.90	16.90	10.40	9.80	9.80	9.80	9.80	10.80	10.80	11.30
Public Works	5.25	5.25	5.25	5.75	5.75	5.75	5.75	3.30	3.30	3.30
Public Safety*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Street lights	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Parks, open space & recreation services	64.30	63.50	63.25	63.50	64.50	67.00	67.00	68.00	66.00	66.00
Cultural	0.00	1.00	2.25	3.25	4.45	4.45	4.45	4.45	4.45	4.40
Water and wastewater operations*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Temporary (FTE)	9.85	9.85	10.62	9.92	10.30	10.75	10.75	11.05	11.05	11.05
Total	96.30	96.50	91.77	92.22	94.80	97.75	97.75	97.60	95.60	96.05
	CAPITAL ASSETS									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
BUILDINGS										
Fire Stations - directly owned	2	2	2	2	2	2	2	2	2	N/A
Fire Stations - owned in partnership	1/3	1/3	1/3	1/3	1/3	1/3	1/3	1/3	1/3	N/A
Parks and Open Space (Service Center)	1	1	1	1	1	1	1	1	1	1
Cultural (Highlands Ranch Mansion)	1	1	1	1	1	1	1	1	1	1
PARKS (Acres)										
Neighborhood	114	114	114	114	114	114	114	114	114	114
Community	91	91	94	94	94	94	94	94	97	97
Playgrounds	21	21	21	21	21	21	21	21	21	21
Parkway Landscape	290	290	290	290	291	292	292	292	292	292
Open space parcels	2,156	2,156	2,156	2,255	2,266	2,266	2,266	2,577	2,577	2,577
TRAILS (miles)										
Walking/biking (paved only)	38	38	38	39	39	39	39	40	40	40
	Operating Statistics									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fire & Emergency Response	3,667	3,871	3,879	3,896	4,028	4,260	4,883	5,070	4,930	N/A
Field Permit Hours	20,100	20,100	28,243	30,287	31,167	28,419	28,855	28,800	28,632	28,632
Shelter Reservations	943	935	938	1,069	1,134	1,082	1,050	1,000	1,005	1,180
Recreation Program Participation	16,791	16,791	14,888	15,201	16,167	13,880	12,700	12,416	20,100	20,100

*Services provided by contract
Source: District records