

BUFFALO HIGHLANDS METROPOLITAN DISTRICT

**COMMERCE CITY
ADAMS COUNTY, COLORADO**



**FINANCIAL STATEMENTS
As of and for the 12-month period ended
December 31, 2019**

Table of Contents

STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES.....	2
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	5
GENERAL FUND	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	6
GENERAL FUND EXPENDITURE	7
DETAILS– BUDGET AND ACTUAL.....	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	30
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL.....	31
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL.....	32
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY.....	33
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED.....	34
OTHER SUPPLEMENTARY INFORMATION	35
CHANGE IN TOTAL OVERLAPPING MILL LEVY	36
HISTORICAL DEBT RATIOS	37

INDEPENDENT AUDITOR'S REPORT

July 30, 2020

To the Board of Directors
Buffalo Highlands Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Buffalo Highlands Metropolitan 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 and 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 of 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the major funds of Buffalo Highlands Metropolitan District, as of December 31, 2019 and the respective changes in financial position and the budgetary comparison for the General Fund, Reserve Fund and Debt Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Buffalo Highlands Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplementary information, as listed in the table of contents, has 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 it.

B F Boyer CPA PC

Certified Public Accountants
Lakewood, CO

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 68,404
Cash and investments – restricted	3,178,228
Accounts receivable – specific ownership taxes	1,653
Accounts receivable – due from homeowners	9,827
Property taxes receivable	511,000
Prepaid expenses	6,436
Capital assets, net	536,050
Total Assets	\$ 4,311,598
LIABILITIES	
Accounts payable and accrued liabilities	\$ 9,242
Prepaid homeowner maintenance fees	11,062
Accrued interest payable	372,872
Bond premium	50,718
Current portion of municipal bonds	-
Municipal bonds	20,597,000
Total Liabilities	21,040,894
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	511,000
NET POSITION	
Restricted:	
Emergency reserves	6,000
Debt service	3,173,535
Capital projects	-
Non-spendable	6,436
Unassigned:	(20,426,267)
Total Net Position	(\$ 17,240,296)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended December 31, 2019

Functions/Programs	Expenses	Charges For Services	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General government activities	(\$ 112,179)	\$ 82,305	\$ 39,913	\$ -	\$ 10,039
Interest and related costs on long-term debt	(1,232,766)	-	6,112	374,200	(852,454)
Capital project activities	(19,936,702)	-	-	2,377,577	(17,559,125)
	<u>(\$ 21,281,647)</u>	<u>\$ 82,305</u>	<u>\$ 46,025</u>	<u>\$ 2,751,777</u>	<u>(18,401,540)</u>
General Revenues					
					\$ 265,169
					18,621
					66,358
					810
					<u>350,958</u>
					(18,050,582)
					<u>810,286</u>
					<u>(\$ 17,240,296)</u>

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2019

	General	Debt Service	Capital Projects	Total Government Funds
ASSETS				
Cash and investments	\$ 68,404	\$ -	\$ -	\$ 68,404
Cash and investments - Restricted	6,000	3,172,228	-	3,178,228
Accounts receivable – spec ownership taxes	346	1,307	-	1,653
Accounts receivable-due from homeowners	9,827	-	-	9,827
Property taxes receivable	107,000	404,000	-	511,000
Prepaid expenses	6,436	-	-	6,436
TOTAL ASSETS	\$ 198,013	\$ 3,577,535	\$ -	\$ 3,775,548
LIABILITIES				
Accounts payable and accrued liabilities	9,242	-	-	9,242
Prepaid homeowner maintenance fees	11,062	-	-	11,062
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	107,000	404,000	-	511,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	127,304	404,000	-	531,304
FUND BALANCES				
Restricted:				
Emergencies (TABOR)	6,000	-	-	6,000
Debt service	-	3,173,535	-	3,173,535
Capital projects	-	-	-	-
Non-spendable	6,436	-	-	6,436
Unrestricted	58,273	-	-	58,273
Total Fund Balances	70,709	3,173,535	-	3,244,244
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 198,013	\$ 3,577,535	\$ -	

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

Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds

Property, structures and equipment, net 536,050

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

Bonds payable (20,597,000)

Accrued interest payable and bond premium (423,590)

Net position of governmental activities (\$17,240,296)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended December 31, 2019

	General	Debt Service	Capital Projects	Total Government Funds
REVENUES				
Property taxes	\$ 56,598	\$ 208,571	\$ -	\$ 265,169
Specific ownership taxes	3,968	14,653	-	18,621
Maintenance fees	53,305	-	-	53,305
Property violation fines	810	-	-	810
Working capital fees	29,000	-	-	29,000
Facility Fees	-	374,200	-	374,200
Net investment income	279	66,079	-	66,358
Total revenues	143,960	663,503	-	807,463
EXPENDITURES				
General and administration	83,129	60,877	1,767	145,773
Landscaping maintenance	8,823	-	-	8,823
Other district expenses	366	-	-	366
Election costs	19,861	-	-	19,861
Debt service				
Bond interest	-	967,331	-	967,331
Bond principal	-	-	-	-
Public infrastructure acquisitions	-	-	2,380,653	2,380,653
Total Expenditures	112,179	1,028,208	2,382,420	3,522,807
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	31,781	(364,705)	(2,382,420)	(2,715,344)
OTHER FINANCING SOURCES (USES)				
Developer advances	39,913	6,112	2,377,577	2,423,602
Repayments on Developers advances	-	-	(1,833,174)	(1,833,174)
Fund transfers in (out)	(64,207)	-	64,207	-
Total other financing sources (uses)	(24,294)	6,112	608,610	590,428
CHANGE IN FUND BALANCE				
	7,487	(358,593)	(1,773,810)	(2,124,916)
FIND BALANCES – BEGINNING OF YEAR				
	63,222	3,532,128	1,773,810	5,369,160
FUND BALANCES – END OF YEAR				
	\$ 70,709	\$3,173,535	\$ -	\$ 3,244,244

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
 12-Month Period Ended December 31, 2019

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

Net change in fund balances – Total government funds	(\$ 2,124,916)
--	----------------

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Public infrastructure acquisition costs	2,380,653
---	-----------

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

Increase in accrued bond interest payable	(208,405)
---	------------

Decrease in bond premium	3,847
--------------------------	-------

Public infrastructure dedicated to City	(18,101,761)
---	---------------

Changes in net position of governmental activities	(\$ 18,050,582)
---	------------------------

These financial statements should be read only in connection with
 the accompanying notes to the financial statements.

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	\$ 56,621	\$ 56,598	(\$ 23)
Specific ownership taxes	3,397	3,968	571
Maintenance fees	16,800	53,305	36,505
Property violation fines	-	810	810
Working capital fees	45,000	29,000	(16,000)
Design review fees	1,000	-	(1,000)
Net investment income	-	279	279
Total revenues	<u>122,818</u>	<u>143,960</u>	<u>21,142</u>
EXPENDITURES			
General and administration	138,260	83,129	55,131
Landscaping maintenance	5,000	8,823	(3,823)
Other district expenses	5,000	366	4,634
Election expenses	-	19,861	(19,861)
Total expenditures	<u>148,260</u>	<u>112,179</u>	<u>36,081</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(25,442)</u>	<u>31,781</u>	<u>57,223</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	29,486	39,913	10,427
Transfers in (out)	-	(64,207)	(64,207)
Total other financing sources (uses)	<u>29,486</u>	<u>(24,294)</u>	<u>(53,780)</u>
CHANGE IN FUND BALANCE	4,044	7,487	3,443
FUND BALANCE – BEGINNING OF YEAR	<u>(4,044)</u>	<u>63,222</u>	<u>67,266</u>
FUND BALANCE – END OF YEAR	<u>\$ -</u>	<u>\$ 70,709</u>	<u>\$ 70,709</u>

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

**BUFFALO HIGHLANDS METROPOLITAN DISTRICT
GENERAL FUND EXPENDITURE
DETAILS– BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
GENERAL AND ADMINISTRATION			
1. District management and accounting fees	\$ 35,000	\$ 68,183	(\$ 33,183)
2. Covenant enforcement services	15,000	-	15,000
3. Administrative costs	5,500	7,369	(1,869)
4. Audit fees	9,500	4,800	4,700
5. Collection fees – County Treasurer	849	279	570
6. Board of Directors’ fees	-	800	(800)
7. Board training and conferences	-	-	-
8. Insurance	3,000	350	2,650
9. Legal fees	25,000	56,581	(31,581)
10. Contingency	44,411	-	44,411
11. Indirect collection costs allocable to debt fund	-	(55,233)	55,233
Total General and Administration	\$ 138,260	\$ 83,129	\$ 55,131
LANDSCAPING MAINTENANCE			
1. Ground maintenance fees	\$ -	\$ 4,410	(\$ 4,410)
2. Tree maintenance/replacement	-	-	-
3. Perimeter fence maintenance	-	-	-
4. Sprinkler repairs	-	612	(612)
5. Sprinklers – water	-	3,509	(3,509)
6. Sprinklers – electricity	-	-	-
7. Grounds improvements	-	-	-
8. Other landscape maintenance services	5,000	292	4,708
Total Landscaping Maintenance	\$ 5,000	\$ 8,823	(\$ 3,823)
OTHER DISTRICT EXPENSES			
1. Snow removal	\$ 5,000	\$ 366	\$ 4,634
2. Social activities	-	-	-
3. Newsletter publications	-	-	-
4. Vandalism	-	-	-
Total Other District Expenses	\$ 5,000	\$ 366	\$ 4,634

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

BUFFALOHIGHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2019

NOTE 1 – DEFINITION OF REPORTING ENTITY

Buffalo Highlands Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 15, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by City of Commerce City (City) on September 16, 2002 and amended with City approval on May 04, 2015. The District's boundaries encompass 165-single-family homes within the Buffalo Highlands Filing No. 1 subdivision located in Adams County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation, sanitary sewer, storm drainage and other improvements (Public Improvements) within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was also established to (1) maintain various open spaces within the District (not otherwise owned and maintained by the City), (2) maintain perimeter fencing, and (3) provide covenant enforcement and architectural review services.

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

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are as follows:

Government-wide and Fund Financial Statements

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

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

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

These notes are an integral part of the accompanying financial statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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

Budgets

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 funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. On October 04, 2018, the Board adopted the District's 2019 budget and, on May 06, 2020, the Board adopted a resolution amending the District's 2019 budget. The amendment increased allowed expenditures in the District's debt and capital project funds.

These notes are an integral part of the accompanying financial statements.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

Property Taxes

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

On November 3, 2015, District voters authorized the District to assess property taxes up to \$5,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. In 2019, the District's share of Specific ownership taxes is equal to approximately 6.0% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Operations Fees

On October 12, 2017, the District adopted a resolution to impose a monthly operations fee on each Lot within the District for the purpose of funding the District's operations and services provided to residents. The monthly operations fee is \$35 on each developed Lot and is payable to the District in quarterly installments.

These notes are an integral part of the accompanying financial statements.

Working Capital Fees

On October 12, 2017, the District adopted a resolution to assesses a \$500 working capital fee on each Lot at the time ownership of a Lot changes. The purpose of the administrative fee is to offset administrative costs the District incurs managing changes in property ownership records.

Facility Fees

On June 26, 2018, the District adopted a resolution, pursuant to 32-1-1001(1)(j)(I) CRS, imposing Facilities Fees upon all real property within the District (Facility Fee Resolution). Specifically, a one-time Facility Fee is payable to the District by the owner of each platted lot that is developed within the District. The Facility Fee imposed on each lot is secured by a perpetual lien. Per the Facility Fee Resolution, the Facility Fee is \$1,100 per single-family home lot and \$900 per multi-family home lot. Facility Fees are payable to the District upon issuance of a building permit by the City, and all Facility Fees are pledged towards the repayment of the Series 2018 Senior and Subordinate bonds. The first 80 lots, which were constructed prior to the Facility Fee Resolution, are exempt from paying the Facility Fee to the District.

The land subject to contributing Pledged Revenue towards repayment of the District’s bonds is currently platted for 329 single family home lots and 164 paired-home lots. Additional, unplatted land subject to contributing Pledged Revenue towards repayment of the District’s bonds (i.e. “Phase 4”) is estimated to be platted for 306 single family home lots. Based on these estimates, the District anticipates one-time Facility Fee revenue will total \$846,100.

As of December 31, 2019, facility fee collections and construction data regarding all land within and without the District boundaries that is subject to repaying the District’s bond debt is as follows:

	Balance at Dec. 31, 2018	Additions	Balance at Dec. 31, 2019	Platted Lots Subject to Paying Facility Fee
Facility fees earned	\$ 11,000	\$ 80,300	\$ 91,300	
Facility fees collected	\$ 58,300	\$ 374,200	\$ 432,500	
Building permits (subject to Facility Fee Resolution) issued:				
Within district boundaries	10	58	68	85
Without district boundaries	-	15	15	328
Total building permits issued	10	73	83	413

Property Maintenance Fines

Covenant violation fines are assessed, in accordance with the District’s covenant enforcement policy, against homeowners whom the District deems to be in violation of the restrictive covenants provided in the Declaration of Covenants, Conditions and Restrictions for Buffalo Highlands filed with the Adams County Clerk & Recorder’s Office on January 31, 2018 at reception number 2018000008964 (the Declaration). Covenant violation fines are recognized as income after the violation has been identified, the homeowner has been notified and the period has expired for the homeowner to request a hearing to dispute the violation. Pursuant to 32-1-1001(1)(j)(I) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien.

These notes are an integral part of the accompanying financial statements.

Reimbursable Costs

Legal fees and other costs incurred by the District related to covenant enforcement actions and other services provided to specific properties within the District are charged back to the respective property owners. The District presents reimbursable costs on a net basis. Factors considered by the District in determining whether to present reimbursable cost chargeback revenue on a gross or net basis include whether risks exist that the District will be unable to recover such costs from property owners. Pursuant to 32-1-1001(1)(j)(l) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien, which has priority over all other encumbrances on a property.

Collection Costs

Collection costs incurred by the District related to the collection of property taxes includes all costs incurred by the District that enable and support the District's ability to collect property taxes revenue. Generally, such costs include (a) operating and reporting compliance costs that protect the District's right to collect property taxes (e.g. financial statement audit fees, fees paid to professionals to prepare mandatory periodic financial and operational reports to the City and State, etc), (b) professional fees related to applying and monitoring accounting controls over the collection of District revenues, (c) costs related to managing the District's annual property tax assessment process and (d) insurance protecting the District from liability exposure that potentially could arise from performing these activities.

On July 15, 2019, the District approved the exclusion of certain property from the District. Such property remains subject to Pledged Revenue (as defined in the Bond offering documents), which includes property taxes levied by the District for the purpose of (1) repaying the District's Senior Bonds and Subordinate Bonds and (2) funding the related collection costs incurred by the District to repay the Bonds. The District allocates fixed fee collection costs between its general fund (60% cost allocation) and its debt fund (40% cost allocation). Variable collection costs such as county treasurer collection fees are proportionally allocated to each fund on the basis of each property tax revenue allocable to each fund proportion to total property tax revenue assessed by the District.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2019 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Equity

Net Position

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

These notes are an integral part of the accompanying financial statements.

These notes are an integral part of the accompanying financial statements.

Fund Balance

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

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- **Committed fund balance** – The portion of a fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- **Assigned fund balance** – The portion of a fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- **Unassigned fund balance** – The residual portion of a fund balance that does not meet any of the criteria described above.

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

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments – unrestricted	\$ 68,404
Cash and investments – restricted	3,178,228
Total cash and investments	\$ 3,246,632

Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	\$ 521,182
Investments	2,725,450
Total cash and investments	\$ 3,246,632

These notes are an integral part of the accompanying financial statements.

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, the District's cash deposits had a bank balance of \$329,182 and a carrying balance of \$521,182.

Investments

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

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

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

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

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

These notes are an integral part of the accompanying financial statements.

As of December 31, 2019, the District’s investments were comprised of the following:

Investment	Maturity	Amortized Cost
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 2,306
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	2,723,144
		\$ 2,725,450

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. No limitations exist on the District’s ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor's.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period. No limitations exist on the District’s ability to withdraw funds invested in CSAFE. 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. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

These notes are an integral part of the accompanying financial statements.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the 12-month period ended December 31, 2019, follows:

	Balance at Dec. 31, 2018	Constructed Additions	Dedications	Balance at Dec. 31, 2019
Capital assets not being depreciated				
Land and water rights	\$ -	\$ -	\$ 25,600	\$ 25,600
Construction in process	16,257,158	2,380,653	(18,638,854)	-
Total capital assets not being depreciated	16,257,158	2,380,653	(18,612,211)	25,600
Capital assets subject to depreciation				
Perimeter fencing	-	-	294,450	294,450
Monument sign	-	-	140,000	140,000
Sidewalks	-	-	30,000	30,000
Sprinkler systems	-	-	40,000	40,000
Backflow valves	-	-	6,000	6,000
Total capital assets subject to depreciation	-	-	510,450	510,450
Governmental activities – Capital assets, net	\$ 16,257,158	\$ 2,380,653	(\$18,101,761)	\$ 536,050

The District owns and maintains approximately 1.6 acres of public open spaces located across eight land tracts within the Buffalo Highlands subdivision. The Developer dedicated these land tracts to the District on July 15, 2019, and the District has recorded the public land and related water rights at a nominal value of \$25,600.

On December 20, 2004, the Developer entered into an agreement with the City of Commerce City to construct certain public infrastructure within and without the boundaries of the District and dedicate such public infrastructure to the City of Commerce City, South Adams County Water and Sanitation District or to the District (Developer's Agreement). Per the Developer's Agreement, the construction of the public infrastructure is planned over a four-phase development plan. Construction in process generally consists of the following public infrastructure asset types: (1) streets, (2) street lights and signs, (3) sidewalks, curbs and gutters, (4) water and sewer lines, (5) storm drainage system, (6) fire hydrants, (7) landscaping in various public open space land tracts within the subdivision and (9) improvements to 96th Avenue.

In 2018, the District dedicated to the City of Commerce City all improvements made to 96th Avenue and certain public infrastructure constructed in phase one and two of the development plan.

Capital assets subject to depreciation consists of the following types of public infrastructure: (1) landscaping installed in various public open spaces throughout the subdivision, (2) storm water detention pond, (3) entryway monument signs, (4) sidewalks and irrigation systems and (5) perimeter fencing along Landmark Drive, 96th Avenue and bordering open spaces maintained by the District. The District does not anticipate dedicating these assets to other governmental entities.

These notes are an integral part of the accompanying financial statements.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2019:

	Balance at Dec. 31, 2018	Additions	Retirements	Balance at Dec. 31, 2019	Due within one year
Series 2018A G.O. Bonds	\$ 18,145,000	\$ -	\$ -	\$ 18,145,000	\$ -
Accrued Interest – Series 2018A G.O. Bonds	80,611	725,498	(483,666)	322,443	-
Series 2018B G.O. Bonds	2,452,000	-	-	2,452,000	-
Accrued Interest – Series 2018B G.O. Bonds	84,518	145,057	-	229,575	-
Total	\$ 20,762,129	\$ 870,555	(\$ 483,666)	\$ 21,149,018	\$ -

Details regarding the District's long-term obligations are as follows:

Series 2018A General Obligation Refunding and Improvement Bonds (Senior Bonds)

On July 19, 2018, the District issued \$18,145,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvement Bonds, Series 2018A (“Senior Bonds”). The proceeds from the sale of the Senior Bonds – including a premium of \$55,458 – were used as follows:

The proceeds from the sale of the Senior Bonds were used as follows:

Bond proceeds	\$ 18,145,000
Bond premium	55,458
Less:	
Capitalized interest costs	(2,208,740)
Fund the Senior Reserve Fund	(1,486,181)
Underwriter’s discount	(362,900)
Legal, accounting and other costs of issuance	(230,000)
Retiring existing debt obligations and accrued interest	(3,861,560)
Net bond proceeds available for funding costs of public improvements within and without the District	\$ 10,051,077

The Senior Bonds were issued as two term bonds that bear interest at 5.250% (on \$6,370,000 principal) and 5.375% (on \$11,775,000 principal), and are payable semi-annually on June 1 and December 1, beginning on December 1, 2018. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. The Senior Bonds mature on December 1, 2048. In the event any amounts due and owing on the Senior Bonds remain outstanding on December 1, 2054, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

- a) all Senior Property Tax Revenues (generated by the imposition of the Senior Required Mill Levy);

These notes are an integral part of the accompanying financial statements.

- b) all Senior Specific Ownership Taxes (attributable to the Senior Required Mill Levy);
- c) all Capital Fees; and
- d) any other legally available amounts that the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

The Senior Required Mill Levy is defined as the mill levy necessary to generate sufficient property tax revenue during the year to (1) fully pay the annual principal and interest payment due on the Senior Bonds, (2) ensure the Senior Reserve Fund is replenished to \$1,486,181 (the Senior Reserve Requirement), and (3) the Surplus Fund is fully funded at the Maximum Surplus Amount. For 2020, the Senior Required Mill Levy cannot exceed 55.664 mills, which shall be adjusted in future years inversely to any future changes made by the State of Colorado to the Residential Assessment Rate (i.e. the ratio of assessed taxable value of property to actual property value).

Amounts on deposit in the Senior Reserve Fund and, prior to the Conversion Date, amounts on deposit in the Senior Surplus Fund also secure payment of the Senior Bonds. Available Senior Pledged Revenue, if any, is to be accumulated in the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount of \$1,814,500. The Senior Reserve Fund was funded with bond proceeds in the amount of \$1,486,181.

The Senior Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium (%)	Redemption Premium (\$)
December 1, 2023, to November 30, 2024	3.0%	\$ 544,200
December 1, 2024, to November 30, 2025	2.0%	\$ 359,500
December 1, 2025, to November 30, 2026	1.0%	\$ 177,400
December 1, 2025, and thereafter	0.0%	\$ -

Outstanding bond principal and interest on the Senior Bonds mature as follows:

	Principal	Interest	Total
2019	\$ -	\$ 967,331	\$ 967,331
2020	-	967,331	967,331
2021	-	967,331	967,331
2022	-	967,331	967,331
2023	5,000	967,331	972,331
2024 to 2028	1,280,000	4,720,369	4,880,155
2029 to 2033	2,055,000	4,301,157	5,117,905
2034 to 2038	3,030,000	3,664,593	5,387,655
2039 to 2043	4,295,000	2,734,531	5,654,570
2044 to 2047	7,480,000	1,407,444	5,922,214
Total	\$ 18,145,000	\$ 21,664,749	\$ 39,809,749

The District's detail debt service schedule for its Senior Bonds is provided on page 31.

These notes are an integral part of the accompanying financial statements.

Series 2017B Subordinate Limited Tax G.O. Bonds (Subordinate Bonds)

On July 19, 2018, the District issued \$2,452,000 Subordinate Limited Tax General Obligation Bonds, Series 2018B (“Subordinate Bonds”). The proceeds from the sale of the Subordinate Bonds were used as follows:

Bond proceeds	\$ 2,452,000
Less:	
Retiring existing debt obligations and accrued interest	(2,378,440)
Underwriter’s discount	(73,560)
Net bond proceeds available for funding costs of public improvements within and without the District	\$ -

The Subordinate Bonds were issued at the rate of 7.625% per annum and are payable annually on December 15, beginning December 15, 2018, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2046. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

- a) all Subordinate Property Taxes (generated by the imposition of the Subordinate Required Mill Levy);
- b) all Subordinate Specific Ownership Taxes (attributable to the Subordinate Required Mill Levy);
- c) all Subordinate Capital Fee Revenue (meaning any Capital Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds);
- d) any amounts in the Senior Surplus Fund upon the termination of such fund pursuant to the terms of the Senior Indenture; and
- e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Per section 4.05(f) of the Subordinate Bonds Indenture of Trust, if the Subordinate Pledged Revenue is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the Subordinate Bonds when due, the District has irrevocably covenanted to use its best efforts to refinance, refund, or otherwise restructure the Bonds so as to avoid such payment shortfall. In the event any amount of principal or interest on the Subordinate Bonds remains unpaid on December 15, 2053 after application of (1) all Subordinate Pledged Revenue and (2) proceeds from refinancing, refunding or restructuring the Subordinate Bonds, the Subordinate Bonds will be discharged and the bondholders will have no recourse against the District.

Payments toward interest and principal on the Subordinate Bonds can be made provided the Series 2018A Bonds are current and the Reserve Fund and Surplus Fund for the Series 2018A Bonds are full. The District is required to impose the minimum required mill levy of 55.664 mills until the Subordinate Series 2018B Bonds are fully paid or discharged on December 15, 2053; however, only revenues resulting from the number of mills equal to 55.664 mills less the Senior Required Mill Levy are pledged to payment of the Subordinate Series 2018B Bonds.

These notes are an integral part of the accompanying financial statements.

Land Outside of District Boundaries Obligated to Support Series 2017 Bonds

On July 15, 2019, the District approved the exclusion of certain property from the District. The excluded land is primarily located within the Buffalo Highlands Filing No 2 and Buffalo Highlands Filing No 3 subdivisions, which border the east and south side of the District. Such property remains subject to (as defined in the Series 2017A and Series 2017B Bond offering documents) Pledged Revenue, net of any costs of collection. Pledged Revenue includes (a) property taxes assessed per the District's debt mill levy, (b) matching specific ownership tax contributions received from the State of Colorado, (c) Capital Fees (which includes Facility Fees) assessed on property owners and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

Debt Authorization

Debt Authorization – Service Plan

The District's Amended and Restated Service Plan, which was approved by the Commerce City on May 04, 2015, authorizes the District to issue up to \$25 million in debt at over a term not to exceed 40 years. The repayment of the District's debt can exceed 40 years if the majority of the District's Board are residents of the District and the District's Board has voted in favor of refunding a part or all of the District's debt (which must result in a net present value savings). The District's Amended and Restated Service Plan also requires the District to issue debt at market comparable interest rates.

The District's Amended and Restated Service Plan also establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. As long as the District's total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since January 1, 2002. As of January 1, 2002, the ratio was 9.15%. The ratio for 2019 was 7.20%, which caused the District's Maximum Allowable Mill Levy for debt service for 2019 to be 63.542. (The required debt mill levy for 2019 per the District's Series 2018 Senior and Subordinate bonds is 55.664, which is below the District's Maximum Allowable Mill Levy.)

As of December 31, 2019, total remaining debt issuance authorization under the District's Amended and Restated Service Plan is as follows:

Authorized maximum debt issuance per Service Plan	\$ 25,000,000
Less:	
2013 Loan funded by City	(6,180,000)
2018A Senior Bonds	(14,357,000)
2018B Subordinate Bonds	-
Unused, authorized debt issuance as of Dec. 31, 2019	\$ 4,463,000

Debt Authorization – TABOR

On November 05, 2002, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$15,000,000 for infrastructure improvements and operations at a net effective interest rate not to exceed 18% and \$14,000,000 for refunding the District's debt.

These notes are an integral part of the accompanying financial statements.

On November 06, 2007, the District's electors authorized the issuance of additional indebtedness in an amount not to exceed \$99,000,000 for infrastructure improvements and operations at a net effective interest rate not to exceed 18% and an additional \$14,000,000 for refunding the District's debt.

On May 06, 2014, the District's electors authorized the issuance of additional indebtedness in an amount not to exceed \$155,000,000 for infrastructure improvements and operations at a net effective interest rate not to exceed 18% and an additional \$14,000,000 for refunding the District's debt.

On November 03, 2015, the District's electors authorized the issuance of additional indebtedness in an amount not to exceed \$280,000,000 for infrastructure improvements and operations at a net effective interest rate not to exceed 18% and an additional \$25,000,000 for refunding the District's debt.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	Authorized Nov. 2002 Election	Authorized Nov. 2007 Election	Authorized May 2014 Election	Authorized Nov. 2015 Election	Total Voter- Authorized Debt
Street improvements	\$ 8,200,000	\$14,000,000	\$ 14,000,000	\$25,000,000	\$61,200,000
Park and recreational facilities	600,000	14,000,000	14,000,000	25,000,000	53,600,000
Sanitary supply	2,000,000	14,000,000	14,000,000	25,000,000	55,000,000
Water supply	3,050,000	14,000,000	14,000,000	25,000,000	56,050,000
Public transportation system	-	14,000,000	14,000,000	25,000,000	53,000,000
Intergovernmental agreements	-	14,000,000	14,000,000	25,000,000	53,000,000
Operations and maintenance	1,000,000	1,000,000	1,000,000	5,000,000	8,000,000
Traffic and safety controls	100,000	14,000,000	14,000,000	25,000,000	53,100,000
Security services and improvements	-	-	14,000,000	25,000,000	39,000,000
Fire protection system	-	-	14,000,000	25,000,000	39,000,000
Television relay and translation system	-	-	14,000,000	25,000,000	39,000,000
Mosquito control	50,000	-	14,000,000	25,000,000	39,050,000
Subtotal	15,000,000	99,000,000	155,000,000	280,000,000	549,000,000
Refunding of debt	14,000,000	14,000,000	14,000,000	25,000,000	67,000,000
Total	\$ 29,000,000	\$113,000,000	\$169,000,000	\$305,000,000	\$616,000,000

These notes are an integral part of the accompanying financial statements.

	Total Voter- Authorized Debt	July 2013 Loan w City	Series 2018 Bonds	Authorization Remaining at Dec. 31, 2019
Street improvements	\$61,200,000	(\$ 6,180,000)	(\$ 9,096,000)	\$45,924,000
Park and recreational facilities	53,600,000	-	(1,269,000)	52,331,000
Sanitary supply	55,000,000	-	(3,033,000)	51,967,000
Water supply	56,050,000	-	(959,000)	55,091,000
Public transportation system	53,000,000	-	-	53,000,000
Intergovernmental agreements	53,000,000	-	-	53,000,000
Operations and maintenance	8,000,000	-	-	8,000,000
Traffic and safety controls	53,100,000	-	-	53,100,000
Security services and improvements	39,000,000	-	-	39,000,000
Fire protection system	39,000,000	-	-	39,000,000
Television relay and translation system	39,000,000	-	-	39,000,000
Mosquito control	39,050,000	-	-	39,050,000
Subtotal	549,000,000	(6,180,000)	(14,357,000)	528,463,000
Refunding of debt	67,000,000	-	(6,240,000)	60,760,000
Total	\$616,000,000	(\$ 6,180,000)	(\$ 20,597,000)	\$589,223,000

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District's electors will expire as follows:

- \$93,463,000 will expire in November 2027 - 20 years after the original debt authorization election.
- \$155,000,000 will expire in May 2034 - 20 years after the original debt authorization election.
- \$280,000,000 will expire in November 2035 - 20 years after the original debt authorization election.
- Debt refunding authorization will expire when the District's current general obligation debt is paid down to a balance of \$400,000 or less

NOTE 6 – CONTINGENT OBLIGATIONS

The District has entered into multiple contingent obligation agreements with the Developers (as defined in Note 8) and Buffalo Highlands, LLC (Prior Developer). The District has neither registered nor filed a notice of claim of exemption regarding these contingent obligation agreements with the Colorado Securities Commissioner. None of these contingent obligation agreements are transferrable to third parties. The contingent obligations of the District contemplated in the agreements identified below are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The following contingent obligations exist, but are not necessarily owing, as of December 31, 2019:

Facilities Funding, Reimbursement and Acquisition Agreement with Stratus

On October 11, 2016, the District and Stratus Buffalo Highlands, LLC ("Stratus") entered into a Facilities Funding, Reimbursement and Acquisition Agreement ("Stratus FFRAA") in which Stratus agreed to (1) design, construct and complete certain public improvements to serve the development within the District's service area and (2) advance

These notes are an integral part of the accompanying financial statements.

funds to the District up to \$26 million if the District decides to design, construct and complete certain public improvements to serve the development within the District’s service area. The District agreed to acquire public improvements constructed by Stratus and, subject to written certification by an independent engineer that such costs are reasonable and comparable to the costs of similar public improvements constructed in the Denver Metropolitan Area, to pay Stratus for the costs of such improvements (Certified Construction Costs). Simple interest accrues on contingent obligations due to Stratus under the Stratus FFRAA, until paid, at the rate of eight percent (8%) per annum.

On July 17, 2019, the District and Stratus agreed to terminate the Stratus FFRAA and release, forgive and discharge any accrued, unpaid amounts under the FFRAA in exchange for the District agreeing to (1) approve the exclusion requests submitted by Stratus and (2) approve the Pre-Paid Facilities Fee Agreement.

For the 12-month period ended December 31, 2019, District payments made, advances received, and interest accrued under the FFRAA is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Beginning Balance (Dec. 31, 2018)	\$ 160,377	\$ 22,048	\$ 182,425
Additional advances	3,324,803	6,776	3,331,579
Payments to Stratus	(1,833,174)	-	(1,833,174)
FFRAA termination agreement	(1,652,006)	(28,824)	(1,680,830)
Ending Balance (Dec. 31, 2019)	\$ -	\$ -	\$ -

Operation Funding Agreements with Stratus

On November 25, 2014, Stratus, Buffalo Highlands, LLC (“BHLLC”) and the District entered into an Agreement to terminate all prior funding agreements between the District and BHLLC and assign all contingent obligations of the District accrued under these agreements to Stratus (the BHLLC Termination Agreement). Accrued contingent obligations under the BHLLC Termination Agreement totaled \$252,619 (\$151,887 principal plus \$100,732 accrued interest).

On December 18, 2014, Stratus and the District entered into an Operation Reimbursement Agreement (the 2015 Operation Reimbursement Agreement) pursuant to which Stratus agreed to advance up to \$40,735 to the District to ensure the District had adequate cash to fund its operations in 2016. The District agreed to reimburse Stratus for such amounts, subject to annual appropriation by the District. Stratus advanced \$36,894 to the District under the 2015 Operation Reimbursement Agreement. This contingent obligation bears simple interest at 8% per annum.

On November 12, 2015, Stratus and the District entered into an Operation Reimbursement Agreement (the 2016 Operation Reimbursement Agreement) pursuant to which Stratus agreed to advance up to \$44,000 to the District to ensure the District had adequate cash to fund its operations in 2016. The District agreed to reimburse Stratus for such amounts, subject to annual appropriation by the District. Stratus advanced \$46,105 to the District under the 2016 Operation Reimbursement Agreement. This contingent obligation bears simple interest at 8% per annum.

On October 11, 2016, (as amended on October 12, 2017 and April 30, 2018) Stratus and the District entered into an Operation Reimbursement Agreement (the 2017 Operation Reimbursement Agreement) pursuant to which Stratus agreed to advance up to \$75,000 to the District to ensure the District had adequate cash to fund its operations in 2017. The District agreed to reimburse Stratus for such amounts, subject to annual appropriation by the District. Stratus advanced \$72,350 to the District under the 2017 Operation Reimbursement Agreement. This contingent obligation bears simple interest at 8% per annum.

These notes are an integral part of the accompanying financial statements.

On October 12, 2017, (as amended on October 04, 2018) Stratus and the District entered into an Operation Reimbursement Agreement (the 2018 Operation Reimbursement Agreement) pursuant to which Stratus agreed to advance up to \$70,000 to the District to ensure the District had adequate cash to fund its operations in 2018. The District agreed to reimburse Stratus for such amounts, subject to annual appropriation by the District. Stratus advanced \$88,805 to the District under the 2018 Operation Reimbursement Agreement. This contingent obligation bears simple interest at 8% per annum.

The 2015 Operation Reimbursement Agreement, 2016 Operation Reimbursement Agreement, 2017 Operation Reimbursement Agreement and 2018 Operation Reimbursement Agreement are collectively referred herein as "ORAs".

On July 17, 2019, the District and Stratus agreed to terminate the ORAs and release, forgive and discharge any accrued, unpaid amounts under the ORAs in exchange for the District agreeing to (1) approve the exclusion requests submitted by Stratus and (2) approve the Pre-Paid Facilities Fee Agreement.

For the 12-month period ended December 31, 2019, District payments made, advances received, and interest accrued under the ORAs is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Beginning Balance (Dec. 31, 2018)	\$ 396,041	\$ 121,520	\$ 517,561
Additional advances	18,027	37,347	55,374
Payments to Stratus	-	-	-
ORAs termination agreement	<u>(414,068)</u>	<u>(158,867)</u>	<u>(572,935)</u>
Ending Balance (Dec. 31, 2019)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

96th Avenue Facilities Acquisition Agreement

On May 6, 2014, and as amended on September 22, 2015, the District entered into a Facilities Acquisition Agreement regarding 96th Avenue ("96th Ave FAA") with the Prior Developer whereby the Prior Developer agreed to design, construct, and complete certain public improvements related to 96th Avenue for the benefit of the District ("Improvements"). Subject to the payment provisions set forth in the Construction and Funding IGA, as amended and restated on October 1, 2014, and subject to the District's receipt of a certificate from an independent engineer certifying that the construction costs are reasonable and eligible for reimbursement, the District agrees to periodically reimburse the Prior Developer for expenses incurred to provide the Improvements up to a maximum of \$8,260,564 ("Maximum Reimbursement Amount"). If actual Improvement costs exceed Maximum Reimbursement Amount, then the District may reimburse the Prior Developer from available funds after the payment of the District's annual debt service and operations and maintenance expenses.

Interest shall accrue from the date the Prior Developer's construction-related expenses are incurred until paid at a rate of eight percent (8%) per annum. Any obligation of the District to reimburse the Prior Developer under the 96th Ave FAA is subject to annual appropriation and is subordinate to any bonds issued by the District. Any construction costs incurred by the Prior Developer but not reimbursed by the District as of December 31, 2034, shall be forever discharged and satisfied in full.

On November 26, 2018, the City accepted the Improvements from the District.

These notes are an integral part of the accompanying financial statements.

These notes are an integral part of the accompanying financial statements.

NOTE 7 – NET POSITION (DEFICIT)

Correction of Error

In 2018, the District incorrectly recognized as liabilities certain contingent obligation agreements with the Developers. These contingent obligation agreements contain clauses indicating these agreements are subject to annual appropriation by the District and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The District's beginning net position (deficit) has been restated to reflect the removal of these contingent obligation agreements from the liability section of the District's Statement of Net Position. The effect of this treatment is as follows:

Net position (deficit) - December 31, 2018, as originally stated	\$	110,300
Elimination of liabilities related to contingent obligations		699,986
Net position (deficit) - December 31, 2018, as restated	\$	810,286

Restricted Net Position

The District's restricted net position as of December 31, 2019 in the general fund, debt service fund and capital projects fund totaled \$6,000, \$3,173,535 and \$0, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 10 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2018 Bonds.

Non-Spendable Net Position

The District's non-spendable net position as of December 31, 2019 in the general fund, debt service fund and capital project fund totaled \$6,436, \$0, and \$0, respectively.

Unassigned Net Position

The District's unassigned net position as of December 31, 2019 totaled (\$20,426,267). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the Commerce City and the District.

NOTE 8 – RELATED PARTIES

The land within the District was owned by Stratus Buffalo Highlands LLC ("Stratus"). Stratus has an agreement with Lennar Colorado LLC ("Lennar") (collectively, "Developers") to sell Lennar (and other home builders) vacant residential home lots.

Between January 1, 2019 and September 06, 2019, two directors on the District's board were majority owners of Stratus and one director on the District's board was an employee of Stratus. All three of these directors are closely related family members. One director served as general counsel for Stratus. One director on the District's board was an employee/director of Lennar. All these directors had various conflicts of interest in transactions occurring between Lennar/Stratus and the District.

On March 11, 2019, residents of the District began the process of starting a recall election of all directors on the District Board. On March 26, 2019, one director resigned from the Board. By September 06, 2019, the remaining four

These notes are an integral part of the accompanying financial statements.

directors resigned from the Board. As of September 16, 2019, Commerce City Council appointed four District residents to the board. The four directors appointed by the City reported no conflicts of interest arising from their participation on the District's board.

On July 15, 2019 (during the recall election process), the District's board approved petitions from Lennar and Stratus to exclude land owned by Lennar and Stratus from the District. Such land remains subject to paying property taxes under the District's debt mill levy to fund the principal and interest payments due on the District's Series 2018A Senior and Subordinate bonds. However, such land is now located outside of the District's boundaries and is neither subject to receiving any services from the District nor subject to paying property taxes under the District's operating mill levy.

NOTE 9 – RISK MANAGEMENT

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

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

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

NOTE 10 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

On November 3, 2015, District voters authorized the District to assess property taxes at no more than \$5,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

On November 3, 2015, District voters authorized the District to assess property taxes at no more than \$25,000,000 annually, without limitation to rate, to fund amounts due pursuant to any intergovernmental agreements or other contracts entered into by the District. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

These notes are an integral part of the accompanying financial statements.

On November 3, 2015, District voters authorized the District to assess property taxes at no more than \$25,000,000 annually, without limitation to rate, to fund any regional improvements for which the District may be obligated pursuant to the terms of the District's service plan. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

SUPPLEMENTARY INFORMATION

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
Property taxes	\$ 208,654	\$ 208,654	\$ 208,571	(\$ 83)
Specific ownership taxes	9,851	9,851	14,653	4,802
Facility fees	60,500	60,500	374,200	313,700
Net investment income	-	-	66,079	66,079
Total revenues	279,005	279,005	663,503	384,498
EXPENDITURES				
Indirect collection costs	-	57,019	55,233	1,786
Collection fees – County Treasurer	3,130	3,150	3,144	6
Bond paying agent fees	-	2,500	2,500	-
Debt service				
Bond interest – 2017A Series Bonds	967,331	967,331	967,331	-
Bond principal – 2017A Series Bonds	-	-	-	-
Total expenditures	970,461	1,030,000	1,028,208	1,792
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(691,456)	(750,995)	(364,705)	386,290
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	-	-
Developer advances	-	-	6,112	6,112
Total other financing sources (uses)	-	-	6,112	6,112
CHANGE IN FUND BALANCE	(691,456)	(750,995)	(358,593)	392,402
FUND BALANCE – BEGINNING OF YEAR	3,789,092	3,532,128	3,532,128	-
FUND BALANCE – END OF YEAR	\$3,097,636	\$2,781,133	\$3,173,535	\$ 392,402

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
Net investment income	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Management Fees	15,000	-	-	-
Legal Fees	10,500	2,000	1,767	233
Capital projects				
Major capital project construction costs	168,206	2,398,000	2,380,653	17,347
Total expenditures	193,706	2,400,000	2,382,420	17,580
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(193,706)	(2,400,000)	(2,382,420)	17,580
OTHER FINANCING SOURCES (USES)				
Developer advances	-	2,377,577	2,377,577	-
Repayments on Developers advances	-	-	(1,833,174)	(1,833,174)
Transfers in (out)	-	64,207	64,207	-
Total other financing sources (uses)	-	2,441,784	608,610	(1,833,174)
CHANGE IN FUND BALANCE	(193,706)	41,784	(1,773,810)	(1,815,594)
FUND BALANCE – BEGINNING OF YEAR	1,679,887	1,679,887	1,773,810	93,923
FUND BALANCE – END OF YEAR	\$ 1,486,181	\$1,721,671	\$ -	(\$ 1,721,671)

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2019

The District's repayment schedule for its Series 2018A general obligation bonds is as follows:

Year Ended December 31,	Principal	Interest	Interest Rate	Total
2020	\$ -	\$ 967,331	5.25% – 5.375%	\$ 967,331
2021	-	967,331	5.25% – 5.375%	967,331
2022	-	967,331	5.25% – 5.375%	967,331
2023	5,000	967,331	5.25% – 5.375%	972,331
2024	165,000	967,069	5.25% – 5.375%	1,132,069
2025	235,000	958,406	5.25% – 5.375%	1,193,406
2026	270,000	946,069	5.25% – 5.375%	1,216,069
2027	285,000	931,894	5.25% – 5.375%	1,216,894
2028	325,000	916,931	5.25% – 5.375%	1,241,931
2029	340,000	899,869	5.25% – 5.375%	1,239,869
2030	385,000	882,019	5.25% – 5.375%	1,267,019
2031	405,000	861,806	5.25% – 5.375%	1,266,806
2032	450,000	840,544	5.25% – 5.375%	1,290,544
2033	475,000	816,919	5.25% – 5.375%	1,291,919
2034	525,000	791,981	5.25% – 5.375%	1,316,981
2035	555,000	764,419	5.25% – 5.375%	1,319,419
2036	610,000	735,281	5.25% – 5.375%	1,345,281
2037	640,000	703,256	5.25% – 5.375%	1,343,256
2038	700,000	669,656	5.25% – 5.375%	1,369,656
2039	740,000	632,906	5.375%	1,372,906
2040	805,000	593,131	5.375%	1,398,131
2041	850,000	549,863	5.375%	1,399,863
2042	925,000	504,175	5.375%	1,429,175
2043	975,000	454,456	5.375%	1,429,456
2044	1,055,000	402,050	5.375%	1,457,050
2045	1,110,000	345,344	5.375%	1,455,344
2046	1,200,000	285,681	5.375%	1,485,681
2047	1,265,000	221,181	5.375%	1,486,181
2048	2,850,000	153,188	5.375%	3,003,188
	<u>\$18,145,000</u>	<u>\$20,697,418</u>		<u>\$ 38,842,418</u>

The original face value of these bonds totaled \$18,145,000. Interest is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st.

No debt-to-maturity schedule is provided for the Subordinate Bonds because such obligations are payable from Subordinate Pledged Revenue, if and when such revenue is available to repay these bonds.

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
**SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED**
December 31, 2019

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2015	173,120	10.000	50.000	10,387	10,324	99.39%
2016	158,120	10.000	50.000	9,550	9,550	100.00%
2017	83,180	10.000	50.000	4,991	4,992	100.02%
2018	1,139,430	15.000	55.278	80,076	80,076	100.00%
2019	3,774,710	15.000	55.277	265,275	265,169	99.96%
2020	7,257,220	14.744	55.664	511,000	[TBD]	[TBD]

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

OTHER SUPPLEMENTARY INFORMATION

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
CHANGE IN TOTAL OVERLAPPING MILL LEVY

December 31, 2019

	2019 Mill Levy **	2020 Mill Levy *	Change
Buffalo Highlands Metropolitan District	70.277	70.408	0.131
Brighton School District No. 27J	49.092	48.810	(0.282)
Adams County	26.864	26.917	0.053
Commerce City North Infrastructure	27.000	20.000	(7.000)
South Adams County Fire Protection District	14.750	14.750	-
Commerce City	3.280	3.104	(0.176)
Rangeview Library District	3.666	3.677	0.011
South Adams County Water & Sanitation District	2.714	2.449	(0.265)
Urban Drainage and Flood Control	0.726	0.900	0.174
Urban Drainage and Flood Control – South Platte	0.094	0.097	0.003
Total Mill Levy	198.463	191.112	(7.351)

* -- For property tax collections in 2020

** -- For property tax collections in 2019

BUFFALO HIGHLANDS METROPOLITAN DISTRICT
HISTORICAL DEBT RATIOS
 December 31, 2019

	2016	2017	2018	2019	2020
General Obligation Bonds	\$ 5,920,726	\$ 5,940,001	\$ 20,597,000	\$ 20,597,000	\$ 20,597,000
Accrued, unpaid interest - Bonds	\$ 913,637	\$ 1,324,542	\$ 164,467	\$ 552,018	\$ 423,590
Other TABOR debt	\$ -	\$ -	\$ -	\$ -	\$ -
Combined assessed property values within the District	\$ 158,120	\$ 83,180	\$ 1,139,430	\$ 3,774,710	\$ 7,257,220
Ratio of debt to assessed property values	4,322%	8,734%	1,822%	560%	290%