

HIGHLAND ESTATES METROPOLITAN DISTRICT
Weld County, Colorado

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
December 31, 2019

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION	I
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities.....	2
Fund Financial Statements:	
Governmental Funds	
Balance Sheet - Governmental Funds.....	3
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	6
Notes to Financial Statements.....	7
SUPPLEMENTAL INFORMATION	
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	18
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	19
Schedule of Debt Service Requirements to Maturity	20
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected.....	21



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Independent Auditor's Report

Members of the Board of Directors
Highland Estates Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Highland Estates 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 an opinion 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 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 and the major funds of Highland Estates Metropolitan District, as of December 31, 2019 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

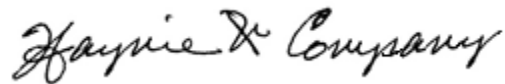
Required Supplementary Information

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 Highland Estates 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The image shows a handwritten signature in cursive script that reads "Haynie & Company". The signature is written in dark ink and is positioned above the typed name and date.

Littleton, Colorado
June 25, 2020

BASIC FINANCIAL STATEMENTS

**HIGHLAND ESTATES METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2019**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 2,790
Receivable - County Treasurer	83
Property taxes receivable	51,057
Prepaid expenses	2,612
Total assets	<u>56,542</u>
LIABILITIES	
Accounts payable	5,966
Accrued bonds interest payable	63,489
Noncurrent liabilities:	
Due in more than one year	1,336,813
Total liabilities	<u>1,406,268</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenues	51,057
Total liabilities and deferred inflows of resources	<u>1,457,325</u>
NET POSITION	
Restricted for:	
Emergency reserves	78
Debt service	69
Unrestricted (deficit)	(1,400,930)
Total net position (deficit)	<u>\$ (1,400,783)</u>

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

**HIGHLAND ESTATES METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 32,969	\$ -	\$ -	\$ -	\$ (32,969)
Loss on conveyance of capital assets	-	-	-	-	-
Interest and related costs on long-term debt	77,427	-	-	-	(77,427)
	<u>\$ 110,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(110,396)</u>
General revenues:					
Property taxes					14,521
Specific ownership taxes					976
Net investment income					10
Total general revenues					<u>15,507</u>
Change in net position					(94,889)
Net position (deficit) - Beginning (restated)					<u>(1,305,894)</u>
Net position (deficit) - Ending					<u>\$ (1,400,783)</u>

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

**HIGHLAND ESTATES METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 2,790	\$ -	\$ -	\$ 2,790
Receivable - County	14	69	-	83
Prepaid expenses	2,612	-	-	2,612
Property taxes receivable	7,855	43,202	-	51,057
TOTAL ASSETS	\$ 13,271	\$ 43,271	\$ -	\$ 56,542
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	5,966	-	-	5,966
Total liabilities	5,966	-	-	5,966
DEFERRED INFLOW OF RESOURCES				
Property tax revenue	7,855	43,202	-	51,057
Total liabilities & deferred inflows	13,821	43,202	-	57,023
FUND BALANCES				
Nonspendable:				
Prepaid expenses	2,612	-	-	2,612
Restricted for:				
Emergency reserves (TABOR)	78	-	-	78
Debt service	-	69	-	69
Unassigned	(3,240)	-	-	(3,240)
Total fund balances	(550)	69	-	(481)
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,271	\$ 43,271	\$ -	

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

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	(1,094,628)
Developer advances	(242,185)
Accrued bonds interest payable	(63,489)
Net position (deficit) of governmental activities	\$ (1,400,783)

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

**HIGHLAND ESTATES METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2,420	\$ 12,101	\$ -	\$ 14,521
Specific ownership taxes	163	813	-	976
Net investment income	10	-	-	10
Total revenues	<u>2,593</u>	<u>12,914</u>	<u>-</u>	<u>15,507</u>
EXPENDITURES				
Current				
Accounting	16,205	-	-	16,205
Audit	5,900	-	-	5,900
Legal	6,840	-	-	6,840
Directors' fees	323	-	-	323
Dues and memberships	313	-	-	313
County Treasurer's fees	36	181	-	217
Insurance and bonds	2,216	-	-	2,216
Paying agent fee	-	900	-	900
Miscellaneous	55	-	-	55
Debt service				
Bond interest	-	12,101	-	12,101
Total expenditures	<u>31,888</u>	<u>13,182</u>	<u>-</u>	<u>45,070</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(29,295)</u>	<u>(268)</u>	<u>-</u>	<u>(29,563)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in (out)	(269)	269	-	-
Developer advances	19,600	-	-	19,600
Total other financing sources (uses)	<u>19,331</u>	<u>269</u>	<u>-</u>	<u>19,600</u>
NET CHANGE IN FUND BALANCES	(9,964)	1	-	(9,963)
FUND BALANCES - BEGINNING OF YEAR	<u>9,414</u>	<u>68</u>	<u>-</u>	<u>9,482</u>
FUND BALANCES - END OF YEAR	<u>\$ (550)</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ (481)</u>

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

**HIGHLAND ESTATES METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019**

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

Net changes in fund balances-Total governmental funds	\$	(9,963)
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is reported as an asset. Additionally, assets that are conveyed to other entities are reported as a loss in the statement of activities.</p>		
Capital outlay		-
Conveyance of capital assets		-
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:</p>		
Developer advances		(19,600)
<p>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.</p>		
Change in accrued interest on developer advances		(10,827)
Change in accrued interest on bonds payable		(54,499)
		(94,889)
Change in net position of governmental activities	\$	(94,889)

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

**HIGHLAND ESTATES METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 2,420	\$ 2,420	\$ -
Specific ownership taxes	120	163	43
Net investment income	30	10	(20)
Total revenues	2,570	2,593	23
EXPENDITURES			
Current			
Accounting	15,000	16,205	(1,205)
Audit	6,000	5,900	100
County Treasurer's fees	50	36	14
Directors' fees	600	323	277
Dues and memberships	340	313	27
Insurance and bonds	2,500	2,216	284
Legal services	15,000	6,840	8,160
Engineering	6,000	-	6,000
Miscellaneous	330	55	275
Contingency	3,180	-	3,180
Total expenditures	49,000	31,888	17,112
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(46,430)	(29,295)	17,135
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	-	(269)	(269)
Developer advances - operations	45,000	19,600	(25,400)
Total other financing sources (uses)	45,000	19,331	(25,669)
NET CHANGE IN FUND BALANCE	(1,430)	(9,964)	\$ (8,534)
FUND BALANCE - BEGINNING OF YEAR	2,235	9,414	
FUND BALANCE - END OF YEAR	\$ 805	\$ (550)	

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

HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 - DEFINITION OF REPORTING ENTITY

Highland Estates Metropolitan District (District), a quasi-municipal corporation, was organized on December 5, 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved on October 10, 2007. The District's service area is located in Weld County, Colorado entirely within the boundaries of the Town of Milliken. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation, transportation, mosquito control, water facilities, sanitary sewer, and storm drainage.

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 organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide 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 more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, 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 assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District is being reported as net position.

HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

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. Revenues are derived primarily from property taxes, other taxes and interest income.

The Debt Service Fund accounts for the resources that are restricted, committed or assigned for principal and interest on long-term general obligation debt of the govern-

**HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

mental funds, as well as financial resources being accumulated for future debt service.

The Capital Projects Fund is used to account for financial resources that are restricted, committed or assigned to the acquisition and construction of capital equipment and facilities.

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 the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

The District's cash and investments include cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

Property Taxes

Property taxes are levied by the District 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.

HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 are comprised of property taxes due from Weld County that will not be collected within 60 days of the end of the current fiscal 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.

Capital Assets

Capital assets, which include infrastructure assets (e.g. road, bridges, sidewalks, and similar items), are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds

The fund balances for the District’s governmental funds are displayed in up to five components:

Nonspendable – amounts that are not in a spendable form or are required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. Restricted fund balance consists of the following:

- Emergency Reserves of \$78 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).
- The restricted fund balance in the Debt Service Fund in the amount of \$69 is to be used exclusively for the payment of future general obligation note principal, interest and related costs.

Committed – amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District’s Board. There is no committed fund balance for the year ended December 31, 2019.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2019.

Unassigned – the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Deposit with financial institution	<u>\$ 2,790</u>
Total cash and investments	<u>\$ 2,790</u>

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 equal to 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.

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 noted with an asterisk (*) 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 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.

**HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

As of December 31, 2019, the District had no investments.

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2019:

	Balance at December 31, 2018 (restated)	Additions	Retirements	Balance at December 31, 2019	Due Within One Year
General Obligation Series 2018	\$ 1,094,628	\$ -	\$ -	\$ 1,094,628	\$ -
Developer advances payable	171,447	19,600	-	191,047	-
Interest on Developer advances	40,311	10,827	-	51,138	-
	<u>\$ 1,306,386</u>	<u>\$ 30,427</u>	<u>\$ -</u>	<u>\$ 1,336,813</u>	<u>\$ -</u>

General Obligation Bonds, Series 2018

The General Obligation Bonds, Series 2018, were issued on September 11, 2018, in a “draw-down” structure with a total principal amount of up to \$1,665,000. During 2018, the District made a draw on the bond funds in the amount of \$1,094,628, which represents the outstanding balance as of December 31, 2019. The bonds are payable from pledged revenue, after payment of the District’s current and annual reasonable operation, maintenance and administrative obligations and reasonable budgetary reserves and ending fund balances. The bonds have an interest rate of 4.00% per annum from the date of issuance through November 30, 2028, then 6.50% per annum beginning December 1, 2028 until December 1, 2048.

**HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The bonds are secured by the Pledged Revenues and all moneys and earnings thereon held in the Funds or accounts created under the terms of the Indenture of Trust, between the District and UMB, as trustee. Pledged Revenues consists of revenues derived from the imposition of the Required Mill Levy remitted to the District.

During 2019, the District collected taxes based on a mill levy of 60.000 mills, 10.000 for operations and 50.000 for debt service. At December 31, 2019, the District levied 65.000 mills for collections in 2020; 10.000 mills for operations and 55.000 mills for debt service.

The following maturities are based on the full amount of the bonds available. Actual payments of principal and interest may vary, based on the actual principal amount outstanding.

	Principal	Interest	Total
2020	\$ -	\$ 66,600	\$ 66,600
2021	35,000	66,600	101,600
2022	35,000	65,200	100,200
2023	40,000	63,800	103,800
2024	40,000	62,200	102,200
2025-2029	200,000	319,357	519,357
2030-2034	145,000	410,150	555,150
2035-2039	215,000	355,225	570,225
2040-2044	410,000	263,575	673,575
2045-2048	545,000	92,625	637,625
	\$ 1,665,000	\$ 1,765,332	\$ 3,430,332

**HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances Payable

On January 1, 2017, the District entered into a Funding and Reimbursement agreement with Milliken Investments, LLC (Developer), which consolidated all previous promissory notes for funds advanced to the District and provided the terms for future advances. The advances under these agreements bear an annual interest rate of 2%, plus the current Federal Reserve Bank Prime Rate or 6%, whichever is greater. The District shall repay operational advances and accrued interest, subject to the annual appropriation of funds by the District upon a determination by the Board that funds are available for this repayment. The District may not impose a mill levy in excess of 50.00 mills for the repayment of these advances. At December 31, 2019, the District was indebted to the Developer for advances totaling \$191,047 plus \$51,138 of accrued interest for operational advances under the terms of this agreement.

Debt Authorization

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$10,200,000.

	<u>Authorized November 6, 2007 Election</u>	<u>Authorization Used, Series 2018 Bonds</u>	<u>Remaining at December 31, 2019</u>
Street improvements	\$ 2,000,000	\$ 655,910	\$ 1,344,090
Traffic and safety	2,000,000	18,112	1,981,888
Water	2,000,000	355,453	1,644,547
Storm and sanitation	2,000,000	65,153	1,934,847
Parks and recreation	2,000,000	-	2,000,000
Transportation	100,000	-	100,000
Mosquito control	100,000	-	100,000
	<u>\$ 10,200,000</u>	<u>\$ 1,094,628</u>	<u>\$ 9,105,372</u>

**HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 5- RELATED PARTIES

Under the Service Plan, a Developer of the District is Southwestern Investment Group, LLC (SWIG), a Colorado limited liability company. The current members of the Board of Directors of the District are owners or associated with the Developer or its management and may have conflicts of interest in dealing with the District.

An affiliate of the Developer, Southwestern Property Corp. (SWPC) provided accounting services to the District in 2019 for total fees of \$16,205.

NOTE 6 - NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$147 as of December 31, 2019, as follows:

Restricted Net Assets:	
Emergency reserves	\$ 78
Debt service	69
	<u>\$ 147</u>

The District's unrestricted net position (deficit) as of December 31, 2019 totaled \$(1,400,930). This deficit amount was a result of the District being funded primarily through developer advances and bond proceeds.

NOTE 7 – PRIOR PERIOD ADJUSTMENTS

The District has identified a prior period adjustment. Organizational costs to be reimbursed to the Developer were not included in the prior year's financial statements.

The beginning net position balance has been restated as follows to reflect these changes in the prior year:

Net position (deficit) as previously reported at December 31, 2018	\$ (1,276,047)
Organizational Costs	<u>(29,847)</u>
Net position (deficit) as restated at December 31, 2018	<u>\$ (1,305,894)</u>

HIGHLAND ESTATES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 8 - 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) as of December 31, 2019. 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 two fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability 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 9 - 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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, 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.

SUPPLEMENTAL INFORMATION

**HIGHLAND ESTATES METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 12,101	\$ 12,101	\$ -
Specific ownership taxes	600	813	213
Interest income	10	-	(10)
Total revenues	<u>12,711</u>	<u>12,914</u>	<u>203</u>
EXPENDITURES			
County Treasurer's fee	893	181	712
Paying agent fee	-	900	(900)
Interest expense	12,101	12,101	-
Contingency	1,507	-	1,507
Total expenditures	<u>14,501</u>	<u>13,182</u>	<u>1,319</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,790)</u>	<u>(268)</u>	<u>1,522</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	269	269
Total other financing sources (uses)	<u>-</u>	<u>269</u>	<u>269</u>
NET CHANGE IN FUND BALANCE	(1,790)	1	<u>\$ 1,791</u>
FUND BALANCE - BEGINNING OF YEAR (RESTATED)	<u>25,035</u>	<u>68</u>	
FUND BALANCE - END OF YEAR	<u>\$ 23,245</u>	<u>\$ 69</u>	

**HIGHLAND ESTATES METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Revenues	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital outlay	483,172	-	483,172
Total expenditures	<u>483,172</u>	<u>-</u>	<u>483,172</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(483,172)</u>	<u>-</u>	<u>483,172</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	483,172	-	(483,172)
Developer advances	483,172	-	(483,172)
Repayment of Developer advance	(483,172)	-	483,172
Transfer to Debt Service Fund	-	-	-
Total other financing sources (uses)	<u>483,172</u>	<u>-</u>	<u>(483,172)</u>
NET CHANGE IN FUND BALANCE	-	-	<u>\$ -</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	

**HIGHLAND ESTATES METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2019**

**\$1,665,000
Limited Tax General Obligation Bonds
Series 2018
Dated September 11, 2018
Principal Due December 1
Interest Rate 5.50% Payable
June 1 and December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 66,600	\$ 66,600
2021	35,000	66,600	101,600
2022	35,000	65,200	100,200
2023	40,000	63,800	103,800
2024	40,000	62,200	102,200
2025	40,000	60,600	100,600
2026	45,000	59,000	104,000
2027	45,000	57,200	102,200
2028	45,000	55,457	100,457
2029	25,000	87,100	112,100
2030	25,000	85,475	110,475
2031	25,000	83,850	108,850
2032	30,000	82,225	112,225
2033	30,000	80,275	110,275
2034	35,000	78,325	113,325
2035	35,000	76,050	111,050
2036	40,000	73,775	113,775
2037	40,000	71,175	111,175
2038	45,000	68,575	113,575
2039	55,000	65,650	120,650
2040	60,000	62,075	122,075
2041	75,000	58,175	133,175
2042	80,000	53,300	133,300
2043	95,000	48,100	143,100
2044	100,000	41,925	141,925
2045	120,000	35,425	155,425
2046	125,000	27,625	152,625
2047	145,000	19,500	164,500
2048	155,000	10,075	165,075
	<u>\$ 1,665,000</u>	<u>\$ 1,765,332</u>	<u>\$ 3,430,332</u>

**HIGHLAND ESTATES 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 Service	Levied	Collected	
2015	\$ 780,560	10.000	50.000	\$ 46,834	\$ 46,834	100.00%
2016	\$ 1,190,950	10.000	50.000	\$ 71,457	\$ 71,457	100.00%
2017	\$ 340,100	10.000	50.000	\$ 20,406	\$ 20,258	99.27%
2018	\$ 233,650	10.000	50.000	\$ 14,019	\$ 14,215	101.40%
2019	\$ 242,010	10.000	50.000	\$ 14,521	\$ 14,521	100.00%
Estimated for the year ending December 31, 2020	\$ 785,490	10.000	55.000	\$ 51,057		