



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2020



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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2020**

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August 2, 2021

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

We are pleased to present the comprehensive annual financial report ("CAFR") of Highlands Ranch Metropolitan District ("District") for the year ended December 31, 2020.

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

District management assumes full responsibility for the completeness and reliability of the information contained in the report, based upon a comprehensive framework of internal control that was established for this purpose. Because the cost of internal control should not exceed anticipated benefits the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

The financial statements have been audited by BDO USA, LLP (BDO), a firm of licensed certified public accountants. BDO has issued an unmodified opinion that the District's financial statements for the year ended December 31, 2020 are presented fairly. The independent auditor's report is located at the front of the financial section of the report. BDO is in the second year of performing the audit. The Board reviews proposals from accounting firms every five years although there is no mandatory rotation.

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

PROFILE, RESPONSIBILITIES AND STRUCTURE OF THE DISTRICT

The District serves Highlands Ranch, a master planned community located in the northern part of Douglas County, Colorado approximately 12 miles south of Denver. The Highlands Ranch area contains zoning for approximately 29,150 single family homes, 8,000 multi-family units and over 1,100 acres of developed commercial property.

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

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

In addition to the municipal type services provided by the District, the community is provided water and wastewater service by another distinct special district – Centennial Water and Sanitation District. Both districts are organized as political subdivisions of the State of Colorado and as quasi-municipal corporations created pursuant to Title 32, Colorado Revised Statutes, as amended.

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

The Board of Directors is comprised of seven members from specific regions. The seven members of the Board serve four-year terms and have staggered terms with either three or four Board members elected every two years in May of even numbered years. As a result of recent legislation over the next two election cycles these elections will transition to May of odd numbered years.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

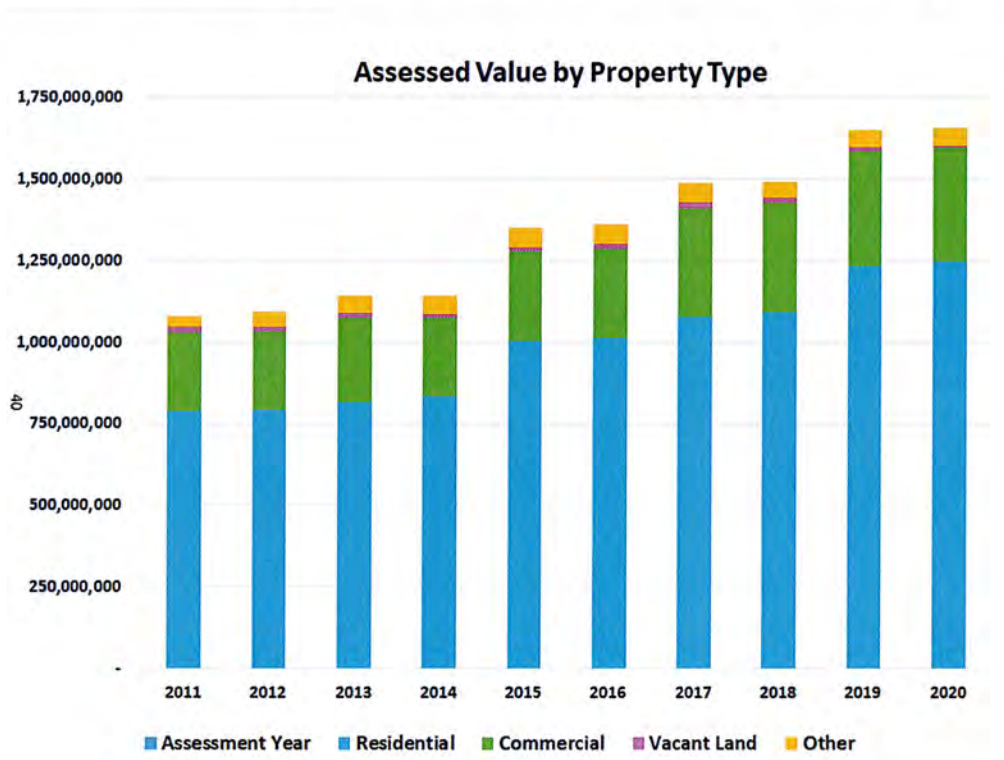
Revenue Base

The District has three primary revenue sources for funding:

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

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

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



The following table summarizes both 2020 and 2019 as well as historic growth patterns:

| | New properties | | | | |
|-----------------|----------------|--------------|----------------|---------|--------------|
| | Residential | | Nonresidential | | Total |
| | Units | SDF \$ | Acres | SDF \$ | SDF \$ |
| 2020 | 486 | \$ 1,011,493 | 0 | \$ - | \$ 1,011,493 |
| 2019 | 236 | 1,672,544 | 0 | - | 1,672,544 |
| 3 year average | 375 | 1,749,195 | 17 | 577,059 | 2,326,254 |
| 5 year average | 360 | 1,713,752 | 12 | 425,009 | 2,138,762 |
| 10 year average | 359 | 1,975,718 | 13 | 552,916 | 2,528,634 |

Overall, 2020 experienced a decrease in System Development Fee Collection for residential compared to 2019. Slow but steady residential growth continues to contribute development fees and other fee revenues to the system to help offset the associated costs.

Long-term financial planning and Fund Balance

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

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

General Fund: The District has established a goal of maintaining a fund balance of 40% of the following year’s net expenditures – operating expenditures minus the offsetting revenues related to an IGA with Centennial wherein the cost of shared employees are reimbursed. The 2020 year-end fund balance continues significantly over the target of 40% at approximately 161% of the 2021 budgeted operating expenditures, up from 132% in 2019. The reason for the increase is due to greater than budgeted specific ownership tax collection and expenditures being 8% under budget. Future model projections are based on the anticipation that this will be drawn down through 2027.

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

All funds received from Systems Development Fees are initially deposited and maintained in the Capital Projects Fund until such time as they are needed, at the Board’s discretion, for either Capital Projects identified in the District’s Facility Plan or to maintain the Board directed required Debt Service fund balances.

Capital Improvement Planning

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

- the Facility Plan which identifies the base community improvements that are the basis for the calculation of the Systems Development Fee
- the long-term Conservation Trust Fund plan which identifies the anticipated projects to be built using proceeds from the Colorado Lottery;
- the stormwater master capital plan which identifies the anticipated needs over the next thirty years.
- other visionary major capital facilities that will require additional funding sources;
- a prospective look at major repairs and renovation that will be required as part of the District's asset management program.

Pension and other employment benefits

The District does not participate in Social Security but does maintain a defined contribution pension plan. All regular District employees are required to participate in the Plan and are eligible on their date of hire. Eligible employees are required to contribute 6.2% of pay, which is matched by the District. The contribution level was established equivalent to the Social Security requirements and, commencing in 2011, the total contributions are capped at the same maximum as established for Social Security contributions. In addition, the District offers all regular employees the option to contribute to a 457 plan. The District matches of employee contributions to the 457 plan up to a maximum of 4%.

The District is a member of the Colorado Employer Benefit Trust (CEBT) that provides a medical, dental, vision, and short-term disability and life insurance benefits. The health insurance plans allow retirees who have reached age 50 and 15 years of service to retire and stay in the plan until age 65. All premiums are the responsibility of the retired employee. At December 31, 2020 there is one past employee taking advantage of the benefit.

MAJOR INITIATIVES

During the 2016 Board retreat, the Board identified several priorities including construction of a Senior Center to expand existing programs and services offered.

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

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

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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Highlands Ranch Metropolitan District for its comprehensive annual financial report for the year ended December 31, 2019. One or more of the pre-consolidated Highlands Ranch Metropolitan Districts has received the Certificate of Achievement for the twenty-third consecutive year.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine eligibility for another certificate.

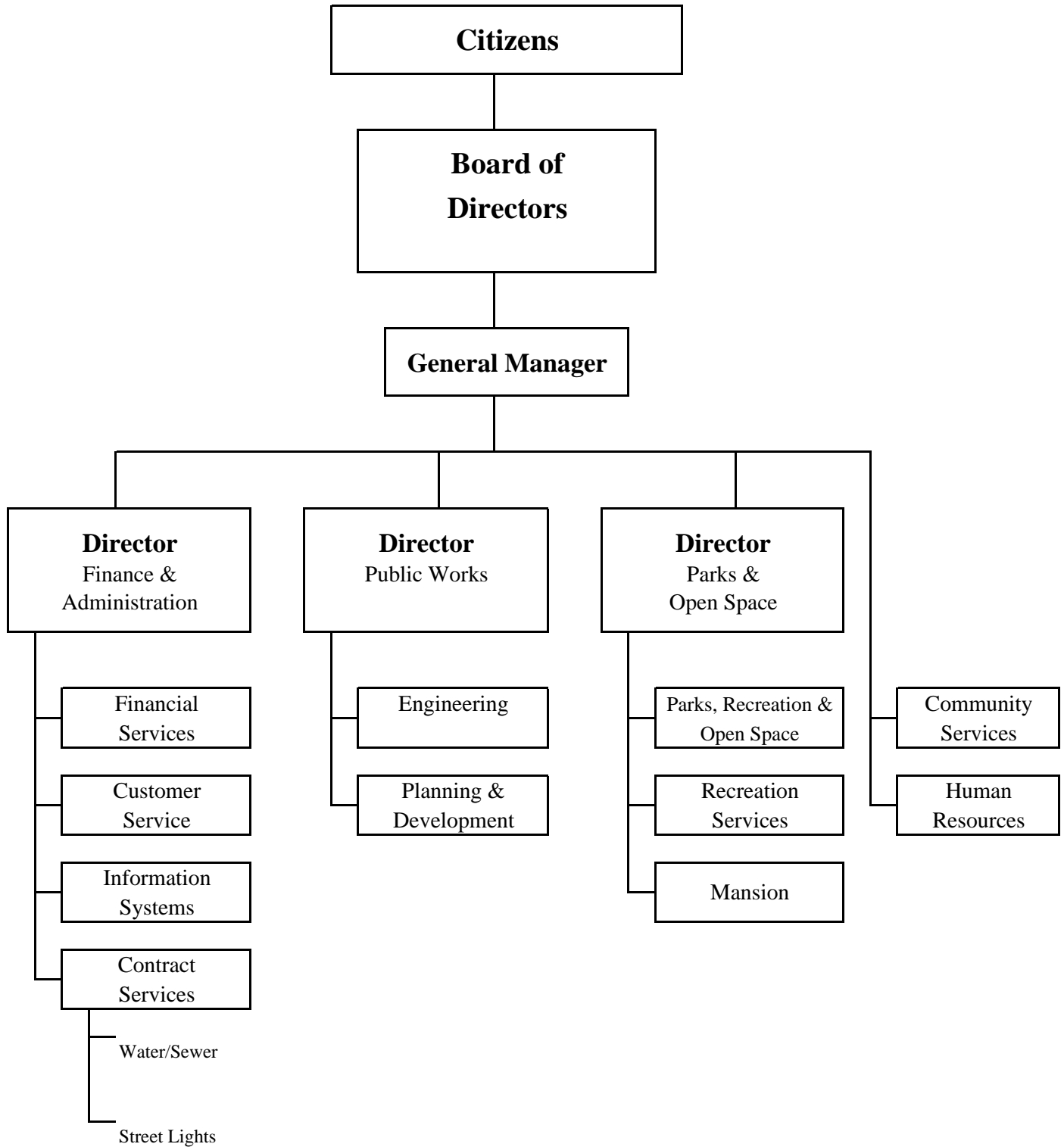
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report.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

Respectfully submitted,

A handwritten signature in black ink that reads "Stephanie Stanley". The signature is written in a cursive, flowing style.

Stephanie Stanley
Director, Finance and Administration

Highlands Ranch Metropolitan District



HIGHLANDS RANCH METROPOLITAN DISTRICT
HIGHLANDS RANCH, COLORADO

BOARD OF DIRECTORS AND DISTRICT OFFICIALS

BOARD OF DIRECTORS
AS OF DECEMBER 31, 2020

| | | |
|--------------------|------------|----------------------|
| Mark Dickerson | CHAIR | May 2018 to May 2022 |
| Allen Dreher | VICE-CHAIR | May 2018 to May 2022 |
| Carolyn Schierholz | TREASURER | May 2018 to May 2022 |
| Jim Worley | | May 2018 to May 2022 |
| Andy Jones | | May 2020 to May 2023 |
| Renee Anderson | | May 2020 to May 2023 |
| Nancy Smith | | May 2020 to May 2023 |

APPOINTED DISTRICT OFFICIALS

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Highlands Ranch Metropolitan District
Colorado**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO



Tel: 970-352-1700
Fax: 970-352-1708
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Greeley, CO 80634

Independent Auditor's Report

Board of Directors
Highlands Ranch Metropolitan District
Highlands Ranch, Colorado

Opinion

We have audited the financial statements of the Highlands Ranch Metropolitan District (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District, as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the 2020 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 2020 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 2020 financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

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

Other Matters

Prior Year Financial Statements

The 2019 financial statements of the District were audited by ACM LLP ("ACM"), whose partners and professional staff joined BDO USA, LLP as of August 1, 2020, and has subsequently ceased operations. ACM's report dated July 30, 2020 expressed an unmodified opinion¹ on those statements.



Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) on pages 25 to 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BDO USA, LLP

August 2, 2021

Management's Discussion and Analysis

As management of the Highlands Ranch Metropolitan District, we are pleased to provide a discussion and analysis of the District's 2020 financial statements. This narrative overview provides a more detailed and insightful examination of the financial condition and operating results for the fiscal year ended December 31, 2020 as well as information on any financial issues and activities. We encourage readers to consider the information presented here in conjunction with additional information in our letter of transmittal, which can be found on pages i to vi of this report.

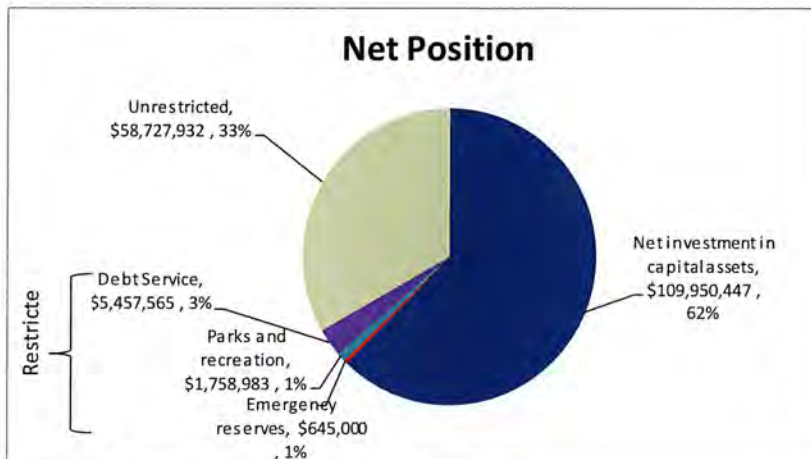
The Management Discussion and Analysis (MD&A) focuses on the presentation of the financial statements and the related activities in two distinct ways:

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

Financial Highlights

Net position

- The government wide net position of the District is defined by the amount that the assets plus the deferred outflow of resources of the District exceed its liabilities plus deferred inflows. At the close of the current fiscal year, the District had a net position of \$176,539,927 an increase of 7.6% over the fiscal 2019 net position of \$164,042,913. The components of the 2020 net position are categorized as follows:



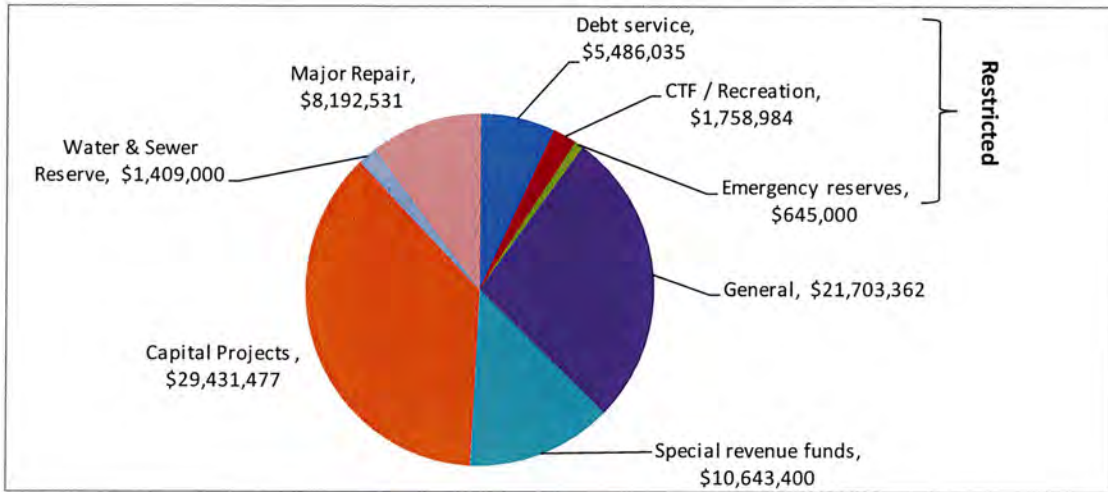
Prudent fiscal stewardship by the District continues.

- Employee related costs remain manageable.
 - The District has a performance based pay plan that compares wages with comparable wages in the Denver metro area.
 - The cost of employee benefits remains manageable as the result of maintaining a defined contribution plan and annual review of employee benefits. The base health insurance plan was unchanged during 2020. Employees shared in any premium increases based on the existing premium sharing arrangement with the employees.
- The Board reviews its debt management plan annually. The refinancing of the Highlands Ranch Metropolitan District No. 2 and 3 Series 2005 was completed on May 20, 2016 with a net present value savings of approximately \$2.8 million. The new debt is not callable until December 1, 2021 but has resulted in significant cash accumulation for future capital projects identified by the Board to enhance programs and services.
- Accumulated development fees continue to be sufficient to pay for all previously identified components of the Facility Plan.

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

Fund balance

- At the close of the fiscal year, the District's Governmental Funds reported a combined ending fund balance of \$79,269,788, an increase of \$5,070,594. The graph below summarizes the various fund balance components net of the isolated restricted portions of fund balance as of year-end.



- Significant decisions impacting specific fund balances, more fully described in later sections include:
 - The year-end Debt Service fund balance is targeted at an amount equal to 100% of the next year's principal and interest payment.
 - "Other governmental funds," decreased by \$1.6 million year over year because of a planned renovation of the parks and open space service center.
 - The General Fund fund balance increased by \$1.4 million as revenues exceeded expenditures and transfers.

Overview of the Financial Statements

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

Government-wide financial statements

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

The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflow and outflow of resources. The differences are reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

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

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

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and follow immediately after the government-wide and fund financial statements.

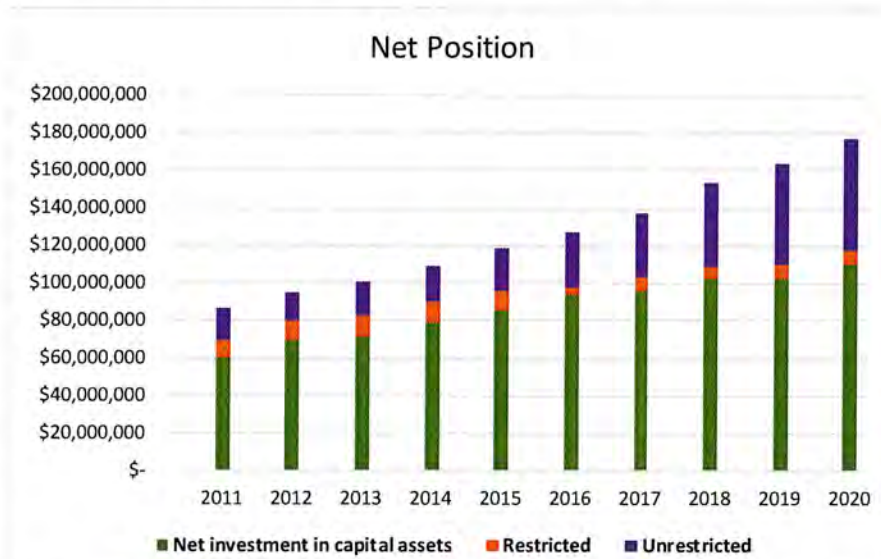
Other Information

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

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

Government-wide Financials and Net Position Analysis

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



Assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$176,539,927 at the close of the most recent fiscal year an increase of \$12,497,013 over 2019.

Condensed Statement of Net Position

| | Governmental Activities | | 2020 to 2019 | |
|--------------------------------------|-------------------------|-----------------------|----------------------|----------|
| | 2020 | 2019 | \$ Change | % Change |
| <u>Assets</u> | | | | |
| Current and other assets | \$ 103,659,096 | \$ 96,713,096 | \$ 6,946,000 | 7.18% |
| Capital assets | 116,845,446 | 112,967,220 | 3,878,226 | 3.43% |
| | <u>220,504,543</u> | <u>209,680,316</u> | <u>10,824,227</u> | 5.16% |
| <u>Deferred outflow of resources</u> | | | | |
| Cost of refunding | 28,804 | 40,063 | (11,259) | -28.10% |
| <u>Liabilities</u> | | | | |
| Long-term liabilities outstanding | 15,870,243 | 19,487,534 | (3,617,291) | -18.56% |
| Other liabilities | 8,687,426 | 6,842,544 | 1,844,882 | 26.96% |
| | <u>24,557,669</u> | <u>26,330,078</u> | <u>(1,772,409)</u> | -6.73% |
| <u>Deferred inflow of resources</u> | | | | |
| Deferred property tax revenue | 19,435,750 | 19,347,388 | 88,362 | 0.46% |
| <u>Net Position</u> | | | | |
| Net investment in capital assets | 109,950,447 | 102,497,282 | 7,453,165 | 7.27% |
| Restricted | 7,861,548 | 7,667,417 | 194,131 | 2.53% |
| Unrestricted | 58,727,932 | 53,878,214 | 4,849,718 | 9.00% |
| | <u>\$ 176,539,927</u> | <u>\$ 164,042,913</u> | <u>\$ 12,497,014</u> | 7.62% |

- The largest portion of the District's net position is the *net investment in capital assets* (e.g., land, buildings, infrastructure, machinery, and equipment) which reflect the capital assets net of the debt related to acquiring those assets. The net investment in capital assets of \$109,950,446 increased 7.27% over 2019 and represents 62% of the total net position.

Capital assets are used by the District to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The overall increase in this category of \$7,453,164 or 7% from 2019 to 2020 can be summarized on the table below:

| | 2020 | 2019 | Change |
|--|----------------|----------------|--------------|
| Land improvements | \$ 35,948,140 | \$ 35,948,140 | \$ - |
| Public infrastructure to be dedicated | 18,391,638 | 18,391,638 | - |
| Construction in progress | 11,944,089 | 8,114,552 | 3,829,537 |
| | | | - |
| Buildings | 13,891,024 | 13,880,733 | 10,291 |
| Improvements other than buildings | 24,167,634 | 21,955,014 | 2,212,620 |
| Machinery and equipment | 5,326,720 | 5,231,880 | 94,840 |
| Water and wastewater infrastructure | 66,312,571 | 65,410,226 | 902,345 |
| | 175,981,816 | 168,932,183 | 7,049,633 |
| Accumulated depreciation | (59,136,369) | (55,964,964) | (3,171,405) |
| Capital assets, net | 116,845,447 | 112,967,219 | 3,878,228 |
| Adjusted for total GO debt and leases | (19,190,000) | (22,764,937) | 3,574,937 |
| Adjusted for water/wastewater related debt | 12,295,000 | 12,295,000 | - |
| Net investment in capital assets | \$ 109,950,447 | \$ 102,497,282 | \$ 7,453,165 |

- The District has *restricted* a portion of the remaining net position as follows:
 - ✓ \$645,000 is restricted for emergency reserves pursuant to the TABOR requirements of the Colorado constitution
 - ✓ \$1,758,894, restricted for park and recreation capital improvements as required by state directive, represents unexpended funds from Colorado Lottery proceeds
 - ✓ \$5,457,565 is restricted for debt service by Board policy in excess of the amounts necessary to comply with various bond covenants. This amount represents the Debt Service Fund fund balance net of accrued interest payable.
- After considering the above restrictions, the District has unrestricted net position of \$58,727,932, an increase of \$4.8 million or 9%. Unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

As mentioned above, during the current fiscal year the District's net position increased by \$12,497,014 as shown below:

Condensed Statement of Change in Net Position

| | Governmental Activities | | 2020 to 2019 | |
|--------------------------------------|-------------------------|-----------------------|----------------------|----------|
| | 2020 | 2019 | \$ Change | % Change |
| <u>Revenues:</u> | | | | |
| <u>Program Revenues:</u> | | | | |
| Charges for services | \$ 45,733,217 | \$ 41,812,006 | \$ 3,921,211 | 9.38% |
| Capital grants and contributions | 5,550,551 | 6,078,171 | (527,620) | -8.68% |
| Total program revenues | <u>51,283,768</u> | <u>47,890,177</u> | <u>3,393,591</u> | 7.09% |
| <u>General Revenues:</u> | | | | |
| Property taxes | 20,675,020 | 18,868,797 | 1,806,223 | 9.57% |
| Net investment income (loss) | 1,784,896 | 2,265,996 | (481,100) | nc |
| Other | 126,861 | 259,833 | (132,972) | -51.18% |
| | <u>22,586,777</u> | <u>21,394,626</u> | <u>1,192,151</u> | 5.57% |
| Total revenues | <u>73,870,545</u> | <u>69,284,803</u> | <u>4,585,742</u> | 6.62% |
| <u>Expenses:</u> | | | | |
| General government | 2,749,535 | 2,895,769 | (146,234) | -5.05% |
| Public works | 782,803 | 718,325 | 64,478 | 8.98% |
| Stormwater management | 189,143 | 168,459 | 20,684 | 12.28% |
| Public safety | 12,380 | 13,510 | (1,130) | -8.36% |
| Street lights | 1,192,452 | 1,142,622 | 49,830 | 4.36% |
| Parks and open space | 10,531,258 | 10,553,675 | (22,417) | -0.21% |
| Recreation services | 917,615 | 1,142,311 | (224,696) | -19.67% |
| Cultural | 756,241 | 841,166 | (84,925) | -10.10% |
| Water and wastewater operations | 43,825,713 | 37,597,289 | 6,228,424 | 16.57% |
| Interest on long-term debt | 416,391 | 481,964 | (65,573) | -13.61% |
| Total expenses | <u>61,373,532</u> | <u>55,555,090</u> | <u>5,818,442</u> | 10.47% |
| Special Item- Transfer of Operations | | (2,857,530) | 2,857,530 | |
| Change in net position | 12,497,013 | 10,872,182 | 1,624,831 | 14.94% |
| Net position- beginning | <u>164,042,913</u> | <u>153,170,731</u> | <u>10,872,182</u> | 7.10% |
| Net position- ending | <u>\$176,539,927</u> | <u>\$ 164,042,913</u> | <u>\$ 12,497,014</u> | 7.62% |

Program revenues contributed \$51,283,768

Charges for services

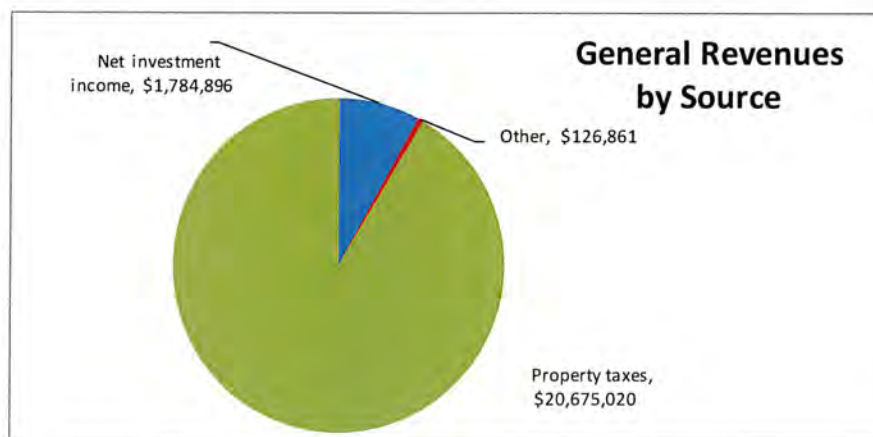
- ✓ 89% of the program revenues came from charges for services.
- ✓ Of the charges for services:
- ✓ \$40,480,618 or 88.6% of the total, represent the pass-through of revenues collected from District water and wastewater customers and remitted to Centennial. These revenue are 100% directly offset by expenses for water and wastewater operations. The revenues and offsetting expenses increased year over year due to an increase in rates and slight increase in consumption.
 - ❖ In addition to the above utility revenues, the District collected an additional \$2,358,634 from streetlight and stormwater management fees.

Capital grants and contributions

- ✓ Capital grants and contribution in 2020 totaled \$5,550,551 or 11% of total program revenues, lower than the 13% of program revenues from 2019. Capital grants and contributions include donated assets, conservation trust fund (lottery) proceeds and development fees.
- ✓ The capital grant and contributions reflects slowing development activity in 2020 as the community is nearing build out.

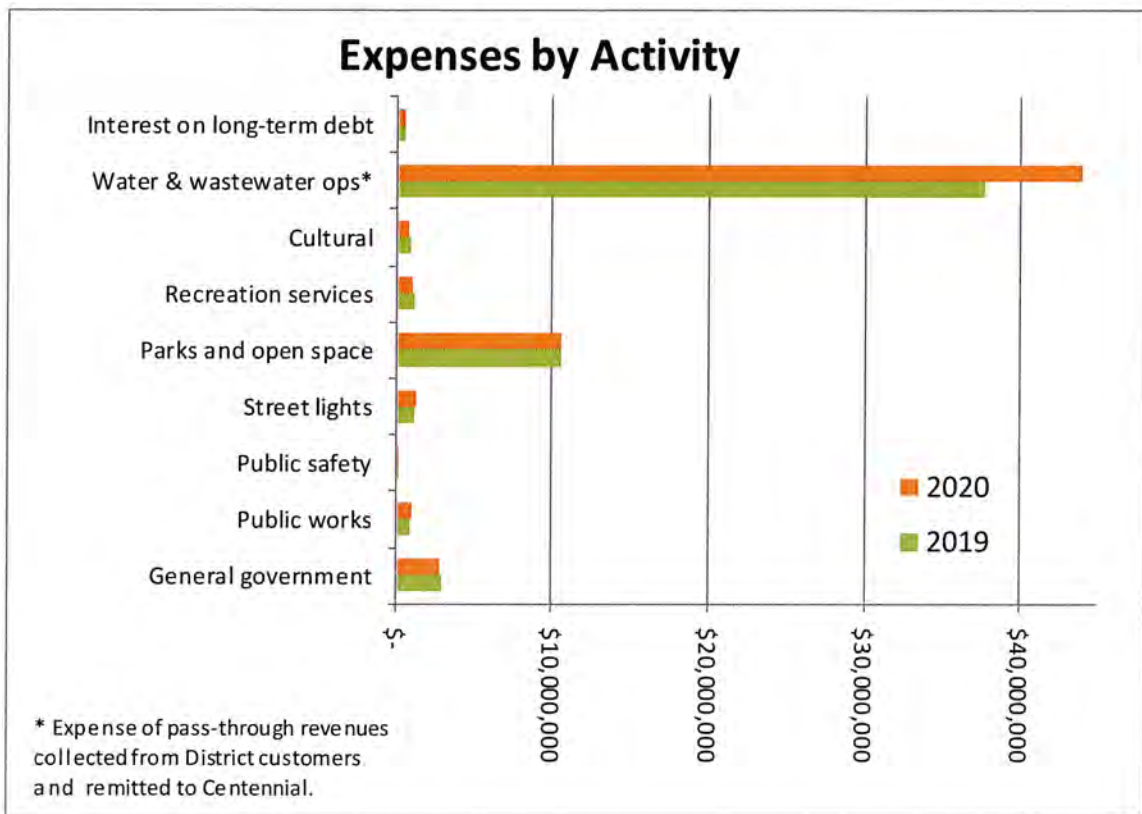
- ❖ System Development Fees are collected from new property at the time that the initial water and wastewater service is requested. With slowing residential development absorption, the 2020 fees decreased from \$1,672,544 in 2019 to \$1,011,493. System Development Fees are allocated to offset Public Works, Public Safety and Parks and Open Space related expenses. These fees are calculated based upon the Facility Plan section of the comprehensive Capital Improvement Plan adopted and updated on an annual basis. Taxes from the new development generating the fees will begin to appear on the tax rolls in 2020/2021 for collection in 2021/2022.
- ❖ Tap fees contributed to the change in net position in the amount of \$3,032,040 a slight decrease from the \$3,111,680 collected in 2019. Tap fees are collected from new services to pay for the reserve capacity payments due to Centennial.
- ❖ The developer constructed and then contributed \$811,345 of intract infrastructure that will serve new development within Highlands Ranch.

General Revenues, which include property taxes, contributed \$22,586,777, an increase of 5.6% from 2019.



- ✓ \$20,675,020 or 91.5% of the general revenues came from property tax revenues which was an increase from the \$18,868,797 collected in 2019. In 2020 the mill levy applied stayed the same at 11.205. Additionally the:
 - ❖ Assessed value increased by 11% as the result of new construction and reassessment.
 - ❖ The District's share of automobile related Specific Ownership Taxes decreased by 5% to \$1,668,095 primarily due to the lowering of the mill levy.
 - ❖ Portfolio performance continued to benefit as the rates improved in 2020.

Expenses totaled \$61,373,532 an increase of \$5,818,442 or 10.5%. Before considering the impact of property taxes and other general revenues, expenses for governmental activities exceeded program revenues by \$10,089,764



- ✓ General Government
 - ❖ \$2,749,535 – an decrease of 5% from 2019; represents 4.5% of the total expenses; governmental activities include general government, finance and administration, human resources.
- ✓ Public Works and Stormwater management
 - ❖ \$971,946 – an increase of 10% from 2019; represents 1.6% of the total expenses; costs for public works related activities which includes the administrative oversight for the infrastructure development and stormwater management.
 - The public works expenses can vary dramatically from year to year. Outlays for capital items built on behalf of others are maintained on our books as Work in Progress until they are accepted by the other entity at which time they are expensed.

Expenses in both of these activities are partially offset by contributions from Centennial Water and Sanitation District (“Centennial”) for certain administrative and public works employees who are shared between entities pursuant to the employee sharing agreement.

- ✓ Public Safety
 - ❖ \$12,380 – a decrease of 8.4%; represents .02% of the total expenses; expenses are for maintenance of illuminated street name signs.
- ✓ Streetlights
 - ❖ \$1,192,452 an increase of 4.4%; represents 2% of total expenses; - provides for the cost to operate and maintain street lights adjacent to arterial roadways as well as the streetlights in the neighborhoods.
 - The District collects a street light fee from its customers for streetlight services. This revenue stream provided an offset to the cost of routine operations and

maintenance for all streetlights in the amount of \$1,470,363 a slight increase from 2019.

- ✓ Parks and open space
 - ❖ \$10,531,258 – a decrease of 0.2%; represents 17% of the total expenses; District operates and maintains the park system, the open space and the arterial parkway landscaping
 - The District's share of the statewide lottery proceed distribution in 2020 was \$535,673 a decrease of 8% from 2019.
 - In 2020 Conservation Trust fund projects included a new disc golf course and projects identified in the ADA transition plan.
- ✓ Recreation programs and services
 - ❖ The **direct cost** of recreation services, \$917,615 – 20% decrease; approximately represents 1.5% of the total expenses; for costs related to recreation programs and services provided to our customers.
 - Total revenue for recreation programs and services was \$731,766. Program revenues are designed to recover the direct costs as well as any facility rental costs that would be recovered if the program was offered by an independent outside vendor.
- ✓ Cultural (Mansion)
 - ❖ \$756,241 – a decrease of 10%; represents approximately 1.2% of the total expenses; - the District operates and maintains the Highlands Ranch Mansion for both community and private events.
 - Mansion revenues decreased significantly from \$684,621 in 2019 to \$217,847 in 2020 due to limited events because of COVID 19.
- ✓ Water and wastewater
 - ❖ The largest single activity, the District expended \$43,825,713 – an increase of 16.6%; 71% of the total expenses for water and wastewater services provided by contract.
 - \$35,064,777 of the expense is the pass-through of revenues collected from District customers and remitted to Centennial.
 - \$1,532,091 was for depreciation of intract water and sewer lines owned by the District and maintained by Centennial Water and Sanitation District.
 - The 2020 payment to Centennial of \$1,813,004 for reserved capacity is also included in this amount. This an increase from the \$1,008,272 paid in 2019 is the result an increase in tap fees paid in 2020.
- ✓ The District incurred \$416,391 of interest expense. This amount includes the payment on the bonds plus the current charge for amortization of the premiums, discount and losses on sale of bond related to its long-term debt.
- ✓ Special Item: The District transferred fire and emergency operations to South Metro Fire Rescue on January 1, 2019. The District transferred two fire stations and associated fire rescue equipment with a net book value of \$2,857,530.

Government's Fund Financials and Fund Balance Analysis

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

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$79,269,788, an increase of \$5,070,594 in comparison with the prior year. The following table shows the categories the total fund balances are comprised of pursuant to GASB 54.

| Fund Balances | 2020 Ending Fund Balance | | |
|---------------|--------------------------|------------|-----|
| Restricted | \$ | 7,890,017 | 10% |
| Committed | | 18,907,580 | 24% |
| Assigned | | 32,242,609 | 41% |
| Unassigned | | 20,229,582 | 26% |
| TOTAL | \$ | 79,269,788 | |

The \$7,890,017 of fund balances reported as restricted are similar to those restricted in the statement of net position and are comprised of the following:

- The General Fund includes the entire amount of the emergency reserve mandated by the Colorado constitution in the amount of \$645,000.
- The Debt Service Fund has a fund balance of \$5,457,566 all of which is restricted for the payment of debt service.
- The Conservation Trust Fund ending balance in the amount of \$1,758,984 is restricted by provisions of the Colorado Constitution.
 - ✓ Revenues, primarily the proceeds from the Lottery Fund in the amount of \$535,673 decreased 8% from 2019.

The remaining unrestricted amounts of \$71,379,771 are *available for spending at the government's discretion*, subject to the different categorizations. These amounts are comprised of:

- \$21,703,362 of the total fund balance in the General Fund a portion is committed and the remaining amount is unassigned.
 - ✓ \$1,473,780 is committed by the Board of Directors for the stormwater management program including both operations and appropriated capital projects.
 - ✓ \$20,229,582 is unassigned. It represents 171% of total 2020 general fund expenditures and 180% of the expenditures when offset by contractual offsetting revenues (Intergovernmental). The 2020 year-end balance continues to exceed the targeted fund balance established by the Board (40% of general fund expenditures less offsetting revenues). However, the Board of Directors has approved a plan that draws this balance down in 2021 to retire the debt early.
- The Utility Special Revenue Fund has a total fund balance of \$6,221,148, all of which is committed to meet the requirements of the IGA with Centennial and consistent with the Board directed purposes when establishing fees. The fund accounts for 1) water and wastewater special revenues; 2) streetlight special revenues; and 3) tap fees collected to meet reserved capacity payment requirements.

- ✓ The net increase in fund balance during the current year in the fund was \$ 1,559,564 which was due in large part to the current year Tap Fee collection exceeded the amount of the reserve capacity payment.
- ✓ The District has a contractual obligation for payment of future reserved capacity payments as of December 31, 2020 of \$1,467,410 payable over the next 5 years.
- \$29,431,477 of fund balance in the Capital Projects Fund is either committed or assigned:
 - ✓ \$846,994 is committed for unexpended Board approved project appropriations
 - ✓ The remaining \$28,584,482 is assigned for:
 - ❖ the future capital projects identified in the Capital Improvements Plan
 - ❖ transfer to the Debt Service fund as needed to make annual debt principal payments
 - ✓ Additional amounts will be accumulated over time from the collection of Systems Development Fees
- The Mansion Fund balance of \$4,422,253 is committed.
 - ✓ Includes a \$4 million prior year transfer from the Capital Projects Fund that is intended to be a permanent funding source similar to an endowment.
 - ✓ The fund balance also includes accumulated revenues in excess of expenses.
 - ✓ During 2020 expenditures exceeded revenues including other miscellaneous income and investment income. Due to COVID restrictions the Mansion was only able to accommodate a limited number of events.
- The Major Repair Fund has an ending fund balance of \$8,192,530.
 - ❖ The primary funding sources in 2020 were
 - lease income from cell towers and related equipment on District property
 - a transfer from the General Fund approximately equal to 1.0 mills.
 - a one-time transfer from the General Fund to prefund the renovation of the parks and open space service center
 - a transfer from the General Fund for vehicle and equipment replacement
 - ❖ Project expenses exceeded revenues and transfers in 2020 by \$2.3 million.
- \$3,167,983 of the non-major Other Governmental Funds fund balance (this amount does not include the Conservation Trust Fund described above under restricted) includes the Recreation special revenue fund, and Water and Sewer Reserve Fund.
 - ✓ The Recreation Fund has an ending fund balance of \$0. This is intentional since the General Fund annually transfers in the exact amount necessary to offset the shortfall in program revenues in relation to program expenses.
 - ✓ The Water and Sewer Reserve Fund has an ending fund balance of \$1.4 million.

General Fund Budgetary Highlights

Actual expenditures were 7.6% less than the original budget with the most significant variance in wages and benefits due to partial year vacancies and reduced number of seasonal employees hired due to COVID restrictions.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets as of December 31, 2020, amounts to \$109,950,446 net of accumulated depreciation. This investment in capital assets includes land improvement for parks and arterial landscape, buildings, roadway improvements and storm drainage facilities. The District's net investment in capital assets increased by \$7,453,164 during the current fiscal year as capital improvements and donation of assets exceeded depreciation.

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

- New capital improvements included a Disc Golf Course and parking lot and new TREX fencing along arterial roadways.
- Donation of water and wastewater lines from the developer in the amount of \$811,345.
- Depreciation of approximately \$3.3M.

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

Long-term debt

General obligation debt

At the end of the 2020, the District had total general obligation bonded debt outstanding of \$19,190,000. The District's total debt decreased by \$3,615,000 the scheduled principal payment during the current fiscal year.

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

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

Capital leases

At the end of the 2020, the District had no capital leases outstanding. The District did not enter into any new capital leases during the current fiscal year. Additional information on the District's long-term debt can be found in note III.C on pages 18-20 of this report.

Economic Factors and Next Year's Budgets and Rates

The District has appropriated \$12,761,414 for spending in the 2021 fiscal year General Fund budget. In addition to the General Fund expenditures, the budget anticipates operating transfers of:

- \$10,000,000 to the Debt Service Fund to retire the Series 2016 loan early on December 1, 2021.
- \$590,760 to the Recreation Special Revenue Fund so that fund can continue to maintain a \$0 fund balance
- \$700,000 to the Water and Sewer Reserve to fund in-tract line replacement
- \$2,189,343 to the Major Repair Fund a significant portion of the transfer is a one-time transfer for renovation of the parks and open space service center.

Expenditures and transfers will exceed revenues, the net impact of which is an increase in fund balance during 2021 of \$8.4 million.

In addition to the significant District fund balances, the following factors were considered in preparing the District's budget for 2021:

- The property tax base still has potential for future growth from undeveloped residential and nonresidential areas. In addition to conservative projections of this growth the District, despite the current real estate market trends, the District prepared a forecast that assumes that property tax revenue growth is essentially limited to inflation as shown on the graph below. The Board continues to endorse the concept of reducing the General Fund balance to retire the debt early and the freed up debt service mill levy can be evaluated for enhancing programs and services as needed.



- In 2021, the mill levy remained unchanged at 11.205 mills.
- The 2021 Budget includes an increase of \$0.20 per 1,000 gallons for the base water rates and \$0.07 for wastewater rates. The rates for water and wastewater service charged by the District to its residents are the resulting revenues are passed-through to Centennial Water and Sanitation District. Since this is a pass-through, it does not affect the District fund balances.
- The streetlight fee was reduced in 2021 by \$7.00 annually.
- The stormwater fee remained unchanged in 2021.

Requests for Information

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
STATEMENT of NET POSITION
December 31, 2020

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash deposits and investments | \$ 81,267,766 |
| Due from county treasurer | 146,160 |
| Receivables | 22,132,668 |
| Due from other governments | 112,502 |
| Capital assets, not being depreciated | |
| Land and other nondepreciable assets | 54,339,778 |
| Construction in progress | 11,944,089 |
| Capital assets, net of accumulated depreciation | |
| Buildings | 9,898,517 |
| Improvements other than buildings | 5,084,538 |
| Machinery and equipment | 1,817,097 |
| Infrastructure | 33,761,428 |
| Total assets | 220,504,543 |
| DEFERRED OUTFLOW OF RESOURCES | |
| Deferred loss on refunding | 28,804 |
| Total deferred outflow of resources | 28,804 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 2,539,341 |
| Due to other governments | 2,414,216 |
| Accrued interest payable | 28,469 |
| Long-term liabilities: | |
| Compensated absences | |
| Due within one year | 20,400 |
| Due in more than one year | 365,243 |
| General obligation bonds and capital leases payable | |
| Due within one year | 3,685,000 |
| Due in more than one year (net of unamortized premiums and discounts) | 15,505,000 |
| Total liabilities | 24,557,669 |
| DEFERRED INFLOW OF RESOURCES | |
| Property tax revenue | 19,435,750 |
| Total deferred inflow of resources | 19,435,750 |
| NET POSITION | |
| Net investment in capital assets | 109,950,447 |
| Restricted for: | |
| Emergency reserves | 645,000 |
| Parks and recreation | 1,758,983 |
| Debt Service | 5,457,565 |
| Unrestricted | 58,727,932 |
| Total net position | \$ 176,539,927 |

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
STATEMENT of ACTIVITIES
For the year ended
December 31, 2020

| Functions/Programs | Expenses | Program Revenues | | | Total |
|------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General government | \$ 2,749,535 | \$ 713,424 | \$ - | \$ - | \$ (2,036,111) |
| Public safety | 12,380 | - | - | 25,969 | 13,589 |
| Street lights | 1,192,452 | 1,464,833 | - | - | 272,381 |
| Parks and open space | 10,531,258 | 294,332 | - | 824,839 | (9,412,087) |
| Recreation services | 917,615 | 731,766 | - | - | (185,849) |
| Cultural | 756,241 | 133,246 | - | - | (622,995) |
| Public works | 782,803 | 1,021,197 | - | 673,052 | 911,446 |
| Stormwater management | 189,143 | 893,801 | - | 183,306 | 887,964 |
| Water and wastewater operations | 43,825,713 | 40,480,618 | - | 3,843,385 | 498,290 |
| Interest related to long term debt | 416,391 | - | - | - | (416,391) |
| Total governmental activities | <u>\$ 61,373,532</u> | <u>\$ 45,733,217</u> | <u>\$ -</u> | <u>\$ 5,550,551</u> | <u>\$ (10,089,764)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 20,675,020 |
| Net investment income | | | | | 1,784,896 |
| Other | | | | | 126,861 |
| Total general revenues | | | | | <u>22,586,777</u> |
| Change in net position | | | | | 12,497,014 |
| Net position - beginning | | | | | \$ 164,042,913 |
| Net position - ending | | | | | <u>\$ 176,539,927</u> |

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020**

| | General | Special Revenue | | Debt Service | Capital Projects | Major Repair | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|---------------------|---------------------|----------------------|---------------------|--------------------------|--------------------------|
| | | Utility | Mansion | | | | | |
| ASSETS | | | | | | | | |
| Cash deposits and investments | \$ 23,006,018 | \$ 6,101,445 | \$ 4,604,693 | \$ 5,486,034 | \$ 29,438,152 | \$ 9,337,944 | \$ 3,293,480 | \$ 81,267,766 |
| Due from county treasurer | 146,160 | - | - | - | - | - | - | 146,160 |
| Receivables | | | | | | | | |
| Customers | 56,000 | 2,230,000 | - | - | - | - | - | 2,286,000 |
| Interest | 169,916 | - | - | - | - | - | - | 169,916 |
| Property taxes | 15,706,089 | - | - | 3,729,661 | - | - | - | 19,435,750 |
| Other | 87,851 | - | 7,936 | - | - | 6,000 | 139,215 | 241,002 |
| Due from other governments | 112,502 | - | - | - | - | - | - | 112,502 |
| Total assets | <u>\$ 39,284,536</u> | <u>\$ 8,331,445</u> | <u>\$ 4,612,629</u> | <u>\$ 9,215,695</u> | <u>\$ 29,438,152</u> | <u>\$ 9,343,944</u> | <u>\$ 3,432,695</u> | <u>\$ 103,659,096</u> |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and payroll liabilities | \$ 795,219 | \$ 101,993 | \$ 18,486 | \$ - | \$ 6,674 | \$ 1,026,971 | \$ 73,382 | \$ 2,022,725 |
| Retainages payable | - | - | - | - | - | 124,079 | - | 124,079 |
| Customer deposits payable | 130,049 | - | 165,062 | - | - | - | 97,426 | 392,537 |
| Due to other governments | 304,817 | 2,008,304 | 6,828 | - | - | 364 | 93,903 | 2,414,216 |
| Total liabilities | <u>1,230,085</u> | <u>2,110,297</u> | <u>190,376</u> | <u>-</u> | <u>6,674</u> | <u>1,151,414</u> | <u>264,711</u> | <u>4,953,557</u> |
| Deferred inflow of resources: | | | | | | | | |
| Property tax revenue | 15,706,089 | - | - | 3,729,661 | - | - | - | 19,435,750 |
| Total deferred inflow of resources | <u>15,706,089</u> | <u>-</u> | <u>-</u> | <u>3,729,661</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>19,435,750</u> |
| Fund balances: | | | | | | | | |
| Restricted | | | | | | | | |
| Emergency reserves | 645,000 | - | - | - | - | - | - | 645,000 |
| Debt service | - | - | - | 5,486,034 | - | - | - | 5,486,034 |
| Parks and recreation | - | - | - | - | - | - | 1,758,983 | 1,758,983 |
| Committed | | | | | | | | |
| Special revenue funds | | | | | | | | |
| Water and wastewater operations | - | 6,221,148 | - | - | - | - | 1,409,000 | 7,630,148 |
| Mansion operations | - | - | 4,422,253 | - | - | - | - | 4,422,253 |
| Stormwater management | 997,865 | - | - | - | - | - | - | 997,865 |
| Capital projects | 475,915 | - | - | - | 846,994 | 4,534,405 | - | 5,857,314 |
| Assigned | | | | | | | | |
| Capital projects fund | - | - | - | - | 28,584,484 | 3,658,125 | - | 32,242,609 |
| Unassigned | 20,229,582 | - | - | - | - | - | - | 20,229,582 |
| Total fund balances | <u>22,348,362</u> | <u>6,221,148</u> | <u>4,422,253</u> | <u>5,486,034</u> | <u>29,431,478</u> | <u>8,192,531</u> | <u>3,167,983</u> | <u>79,269,788</u> |
| Total liabilities, deferred inflow of resources and fund balances | <u>\$ 39,284,536</u> | <u>\$ 8,331,445</u> | <u>\$ 4,612,629</u> | <u>\$ 9,215,695</u> | <u>\$ 29,438,152</u> | <u>\$ 9,343,944</u> | <u>\$ 3,432,694</u> | |

| | |
|--|-----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 116,845,447 |
| Certain costs related to the issuance of debt are expenditures in the funds but are shown as described below and amortized in the statement of net position: | |
| Deferred loss on refunding | 28,804 |
| Liabilities are not due and payable in the current period and therefore are not in the funds: | |
| Bonds, leases and compensated absences payable | (19,575,643) |
| Accrued interest payable | (28,469) |
| Net position of governmental activities | <u>\$ 176,539,927</u> |

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended
December 31, 2020

| | General | Special Revenue | | Debt Service | Capital Projects | Major Repair | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|-------------------|----------------|------------------|------------------|------------------|--------------------------|--------------------------|
| | | Utility | Mansion | | | | | |
| REVENUES | | | | | | | | |
| Property taxes | \$ 16,776,311 | \$ - | \$ - | \$ 3,898,709 | \$ - | \$ - | \$ - | \$ 20,675,020 |
| Systems development fees | - | - | - | - | 1,011,493 | - | - | 1,011,493 |
| Tap fees | - | 3,032,040 | - | - | - | - | - | 3,032,040 |
| Water operations | - | 29,076,106 | - | - | - | - | - | 29,076,106 |
| Wastewater operations | - | 11,404,512 | - | - | - | - | - | 11,404,512 |
| Street lights | - | 1,464,833 | - | - | - | - | - | 1,464,833 |
| Stormwater management | 893,801 | - | - | - | - | - | - | 893,801 |
| Program fees | - | - | 130,143 | - | - | - | 731,766 | 861,909 |
| Conservation trust fund | - | - | - | - | - | - | 535,673 | 535,673 |
| Intergovernmental | 749,477 | - | - | - | 81,705 | 125,020 | - | 956,202 |
| Net investment income | 936,703 | 81,370 | 87,704 | 113,802 | 506,352 | 40,233 | 18,732 | 1,784,896 |
| Contributions | - | - | - | - | 160,000 | - | - | 160,000 |
| Other | 214,548 | - | 3,103 | - | - | 985,064 | - | 1,202,715 |
| Total Revenues | 19,570,840 | 45,058,861 | 220,950 | 4,012,511 | 1,759,550 | 1,150,317 | 1,286,171 | 73,059,200 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | 2,706,116 | - | - | 300 | - | - | - | 2,706,416 |
| Public safety | 12,380 | 1,192,452 | - | - | - | - | - | 1,204,832 |
| Parks and open space | 8,111,354 | - | - | - | 38,423 | 23,043 | 807,745 | 8,980,565 |
| Recreation services | - | - | - | - | - | - | 917,615 | 917,615 |
| Cultural | - | - | 512,375 | - | 3,903 | - | - | 516,278 |
| Public works | 780,732 | - | - | - | - | - | - | 780,732 |
| Stormwater management | 189,143 | - | - | - | - | - | - | 189,143 |
| Water operations | - | 29,076,106 | - | - | - | - | - | 29,076,106 |
| Wastewater operations | - | 11,404,512 | - | - | - | - | - | 11,404,512 |
| Investment in reserved capacity | - | 1,813,004 | - | - | - | - | - | 1,813,004 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | 3,615,000 | - | - | - | 3,615,000 |
| Interest | - | - | - | 410,490 | - | - | - | 410,490 |
| Capital: | | | | | | | | |
| Major repair and renovation | - | - | - | - | - | 5,195,242 | 324,179 | 5,519,421 |
| Capital outlay | 29,298 | - | - | - | 825,194 | - | - | 854,492 |
| Total Expenditures | 11,829,023 | 43,486,074 | 512,375 | 4,025,790 | 867,520 | 5,218,285 | 2,049,539 | 67,988,606 |
| Excess (deficiency) of revenues over (under) expenditures | 7,741,817 | 1,572,787 | (291,425) | (13,279) | 892,030 | (4,067,968) | (763,368) | 5,070,594 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in: | 13,223 | - | - | - | 389,800 | 1,735,820 | 1,481,417 | 3,620,260 |
| Transfers out: | (3,607,037) | (13,223) | - | - | - | - | - | (3,620,260) |
| Total other financing sources (uses) | (3,593,814) | (13,223) | - | - | 389,800 | 1,735,820 | 1,481,417 | 0 |
| Net change in fund balances | 4,148,003 | 1,559,564 | (291,425) | (13,279) | 1,281,830 | (2,332,148) | 718,049 | 5,070,594 |
| Fund balances - beginning | 18,200,359 | 4,661,583 | 4,713,678 | 5,499,314 | 28,149,647 | 10,524,678 | 2,449,935 | 74,199,195 |
| Fund balances - ending | \$ 22,348,362 | \$ 6,221,147 | \$ 4,422,253 | \$ 5,486,035 | \$ 29,431,477 | \$ 8,192,531 | \$ 3,167,984 | \$ 79,269,788 |

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

**For the year ended
December 31, 2020**

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

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 5,070,594 |
|--|----|-----------|

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

| | | |
|---|--------------------|-----------|
| Capital outlay (net of CTF intragovernmental transfers) | 854,492 | |
| Capitalized major repairs and renovations | 5,519,421 | |
| Current year depreciation | <u>(3,265,910)</u> | |
| | | 3,108,003 |

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

| | | |
|--|-----------------|-----------|
| Principal repayments - general obligation debt | 3,615,000 | |
| Current year amortization of premiums, discounts and loss on refunding | <u>(11,264)</u> | |
| | | 3,603,736 |

| | | |
|---|--|----------|
| Disposal of capital assets decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not a current source of financial resources | | (41,118) |
|---|--|----------|

| | | |
|--|--|---------|
| Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not a current source of financial resources | | 811,345 |
|--|--|---------|

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

| | | |
|--|-----------------|--|
| Decrease in accrued interest | 5,363 | |
| Increase in accrued compensated absences | <u>(60,909)</u> | |

| | | |
|---|----|-------------------|
| Change in net position of governmental activities per Statement of Activities | \$ | <u>12,497,014</u> |
|---|----|-------------------|

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2020**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 16,425,126 | \$ 16,620,126 | \$ 16,776,311 | \$ 156,185 |
| Stormwater management fee | 880,000 | 880,000 | 893,801 | 13,801 |
| Intergovernmental | 750,000 | 705,000 | 749,477 | 44,477 |
| Net investment income | 200,900 | 177,000 | 936,703 | 759,703 |
| Other | 134,000 | 124,000 | 214,548 | 90,548 |
| Total Revenues | <u>18,390,026</u> | <u>18,506,126</u> | <u>19,570,840</u> | <u>1,064,714</u> |
| EXPENDITURES | | | | |
| General government | 2,702,445 | 2,702,445 | 2,706,116 | (3,671) |
| Operations | | | | |
| General Fund budget | 9,855,674 | 9,447,318 | 8,904,466 | 542,852 |
| General Fund Miscellaneous Capital | 31,000 | 31,000 | 29,298 | 1,702 |
| Stormwater Management budget | 215,146 | 215,146 | 189,143 | 26,003 |
| Total Expenditures | <u>12,804,265</u> | <u>12,395,909</u> | <u>11,829,023</u> | <u>566,886</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,585,761</u> | <u>6,110,217</u> | <u>7,741,817</u> | <u>1,631,600</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in: | 95,700 | 57,779 | 13,223 | (44,556) |
| Transfers out: | (3,980,770) | (3,264,220) | (3,607,037) | (342,817) |
| Total other financing sources (uses) | <u>(3,885,070)</u> | <u>(3,206,441)</u> | <u>(3,593,814)</u> | <u>(387,373)</u> |
| Net change in fund balance | 1,700,691 | 2,903,776 | 4,148,003 | 1,244,227 |
| Fund balance - beginning | 14,656,226 | 18,200,359 | 18,200,359 | - |
| Fund balance - ending | <u>\$ 16,356,917</u> | <u>\$ 21,104,135</u> | <u>\$ 22,348,362</u> | <u>\$ 1,244,227</u> |

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

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
UTILITY SPECIAL REVENUE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2020**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Tap fees | \$ 1,554,975 | \$ 3,736,250 | \$ 3,032,040 | \$ (704,210) |
| Water operations | 28,000,000 | 31,200,000 | 29,076,106 | (2,123,894) |
| Wastewater operations | 9,400,000 | 9,400,000 | 11,404,512 | 2,004,512 |
| Street light fees | 1,450,000 | 1,473,000 | 1,464,833 | (8,167) |
| Net investment income | 36,000 | 34,400 | 81,370 | 46,970 |
| Total Revenues | 40,440,975 | 45,843,650 | 45,058,861 | (784,789) |
| EXPENDITURES | | | | |
| Public safety - street lights | 1,300,000 | 1,200,000 | 1,192,452 | 7,548 |
| Water operations | 28,000,000 | 31,200,000 | 29,076,106 | 2,123,894 |
| Wastewater operations | 9,400,000 | 9,400,000 | 11,404,512 | (2,004,512) |
| Investment in reserved capacity | 1,358,014 | 1,792,244 | 1,813,004 | (20,760) |
| Total Expenditures | 40,058,014 | 43,592,244 | 43,486,074 | 106,170 |
| Excess (deficiency) of revenues over (under) expenditures | 382,961 | 2,251,406 | 1,572,787 | (678,619) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in: | - | - | - | - |
| Transfers out: | (36,000) | (34,400) | (13,223) | 21,177 |
| Total other financing sources (uses) | (36,000) | (34,400) | (13,223) | 21,177 |
| Net change in fund balance | 346,961 | 2,217,006 | 1,559,564 | (657,442) |
| Fund balance - beginning | 4,452,896 | 4,661,583 | 4,661,583 | - |
| Fund balance - ending | \$ 4,799,857 | \$ 6,878,589 | \$ 6,221,147 | \$ (657,442) |

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

**HIGHLANDS RANCH METROPOLITAN DISTRICT
MANSION SPECIAL REVENUE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2020**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------|--------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Program fees and revenues | \$ 464,000 | \$ 392,809 | \$ 130,143 | \$ (262,666) |
| Net investment income | 68,800 | 42,000 | 87,704 | 45,704 |
| Other | 187,500 | 210,961 | 3,103 | (207,858) |
| Total Revenues | 720,300 | 645,770 | 220,950 | (424,820) |
| EXPENDITURES | | | | |
| Operations | 763,075 | 530,369 | 512,375 | 17,994 |
| Total Expenditures | 763,075 | 530,369 | 512,375 | 17,994 |
| Excess (deficiency) of revenues over (under) expenditures | (42,775) | 115,401 | (291,425) | (406,826) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out: | (51,000) | (40,300) | - | 40,300 |
| Total other financing sources (uses) | (51,000) | (40,300) | - | 40,300 |
| Net change in fund balances | (93,775) | 75,101 | (291,425) | (366,526) |
| Fund balances - beginning | 4,589,558 | 4,713,678 | 4,713,678 | - |
| Fund balances - ending | \$ 4,495,783 | \$ 4,788,779 | \$ 4,422,253 | \$ (366,526) |

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) REPORTING ENTITY

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

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

Component Unit. The Highlands Ranch Parks and Recreation Foundation (the Foundation) is a nonprofit organization whose sole purpose is to support the District by funding opportunities above and beyond the normal operating budget. The Foundation is governed by a governing board appointed by the membership of the Foundation. Revenues, expenditures and net assets of the Foundation are not material to these financial statements and therefore the District has chosen not to present the financials of the Foundation on either the face or in the footnotes of the District. A copy of the IRS 990 return of the Foundation may be obtained from the District at its offices at 62 West Plaza Drive, Highlands Ranch, Colorado 80129.

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

B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

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

C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

The following describes major governmental funds:

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

The **Utility Special Revenue Fund** is used to collect and disburse monies earmarked for specific purposes due to either legal or contractual arrangements. This fund accounts for 1) utility related water and wastewater service revenues and expenses; 2) resources to be used for the investment in reserved capacity in the water and wastewater system owned by Centennial; and 3) street light revenues. The District has chosen to use this type of fund because the revenue from these service fees are paid to other entities for services rendered and because the service fees are not established to fully recover the cost of the assets.

The **Mansion Special Revenue Fund** is a special revenue fund used to collect and disburse monies earmarked for specific purposes as the result of specific Board action. This fund accounts for the investment earnings on an endowment self-created by the District Board from previously collected developer fees and for user fees established by the Board for rental of the Highlands Ranch Mansion. While this fund did not meet the quantitative threshold of a major fund management has elected to present as a major fund for consistency.

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

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

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

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

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

The *Recreation Special Revenue Fund* is a special revenue fund used to collect and disburse monies earmarked for specific purposes as the result of specific Board action. This fund accounts for the proceeds from user fees established by the Board for recreation programs and activities.

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

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

D) ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCE

1) Cash Deposits and Investments

The District follows the practice of pooling available cash of all funds to maximize net investment income. Cash in excess of immediate operating requirements is deposited or invested. Investments are reported at fair value. Net investment income is allocated annually to the participating funds based on each fund's monthly average equity balance in the total cash and investments.

2) Capital assets

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

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

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

| | |
|--|------------|
| Water and wastewater infrastructure | 40 years |
| Park infrastructure and buildings | 30 years |
| Office buildings and fire stations | 40 years |
| Fire rolling stock | 12 years |
| Machinery and equipment (vehicles, office equipment, furniture, computer equipment etc.) | 5-10 years |

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

3) Property Taxes

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

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

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

The County Treasurer remits the taxes collected monthly to the District. Since property taxes are collected in the succeeding year, the receivable and corresponding deferred revenue are reported at year end.

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

4) Long-Term Obligations

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

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

5) Amortization

Original Issue Premiums and Original Issue Discounts

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

Deferred loss on Refunding

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

Prepaid bond insurance

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

6) Compensated Absences

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

7) Postemployment benefits

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

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

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

8) Development Fees

The District has established a systems development fee for residential, commercial and industrial property owners consistent with provisions found in the original Highlands Ranch Metropolitan District intergovernmental agreements. The fee, which is determined periodically, is designed to recover the estimated costs of the construction of the arterial roadways, arterial landscaping, storm drainage facilities, the park system and fire protection facilities that are being built to serve all of Highlands Ranch. The fee is allocated to specific programs as capital grants and contributions based on the cost information used to calculate the fee included in the District's Facilities Plan. For 2020 the fees were allocated based upon percentages as follows:

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

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

Both fees are recorded as revenue when received.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

9) Fund Balance/Net Position

Fund balances

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

- *Nonspendable* – includes the portion of the fund balance/net position that cannot be spent because it is in either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted* – includes the portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions (see TABOR discussion below) or enabling legislation.
- *Committed* - includes the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal approval through adoption of a resolution of the District’s Board of Directors, the highest level of decision making authority. The constraint, once imposed can only be removed or changed through the same formal approval by resolution of the Board.
- *Assigned* – includes the portion of the fund balance that is constrained by the District’s intent for use for a specific purpose but said intent does not meet the definition of either Restricted or Committed. Under the District’s adopted policy approved by resolution, the Board has delegated the authority for such assignment to the District’s chief financial officer.
- *Unassigned* – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose with the General Fund.

Use of categorized fund balance

If more than one classification of fund balance is available for use within the fund when an expenditure is incurred related to the purpose of the categorization, it is the District’s policy to use the most restrictive available classification first. Commitments made by appropriation for capital projects remain committed until specifically rescinded by the Board. All other commitments are reviewed and approved by Board action at the time of the adoption of the budget and remain so categorized for the budget year unless specific Board action is taken.

Statement of Net Position

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

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

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A) BUDGETS

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

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

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

B) TAX, SPENDING AND REVENUE LIMITATION

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

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

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

Net position and fund balance are restricted in order to comply with the emergency reserve requirement of TABOR (Note ID9). \$656,000 of the fund balance and net position has been restricted in compliance with this requirement. The fund balance reserved for all governmental fund types is shown in the General Fund.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

The District's property tax collections for 2019 provides the basis for calculation of the 2020 limitations adjusted for allowable increases tied to inflation and local growth. Property tax revenue in excess of the District's "spending limit" must be refunded unless voters approve the retainage of such excess revenue.

The District has reviewed its 2020 results of operations and anticipates it is in compliance with its current interpretation and application of voter approved adjustments to TABOR tax, revenue, "spending limit" and debt limitations.

III. DETAILED NOTES

A) CASH DEPOSITS AND INVESTMENTS

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

At December 31, 2020, the District had the following cash and investments:

| | | | |
|--|----|------------|---------------|
| Cash on hand | \$ | 1,575 | |
| Cash deposits | | 174,745 | |
| | | | \$ 176,320 |
| Investments | | | |
| Investments held by financial institutions | | 42,416,840 | |
| Local government investment pool | | 38,514,077 | |
| Money Market Mutual Fund | | 160,529 | |
| | | | 81,091,446 |
| Total | | | \$ 81,267,766 |

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. Deposits covered by PDPA are not subject to custodial credit risk. The State Regulatory Commission for banks is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. As of December 31, 2020, the District had \$277,208 of bank balances for cash deposits collateralized pursuant to PDPA.

Investments

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

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

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

At December 31, 2020, the District's investments held in safekeeping reported on the financial statements can be summarized as follows:

| Investments held in safekeeping | S&P Rating | Investment Maturities (in Years) | | | |
|---------------------------------|---------------|----------------------------------|---------------|---------------|---------------|
| | | One to five years | | | Total |
| | | Less than 1 | Callable 2019 | Noncallable | |
| US Treasury securities | AA+ | \$ 201,875 | \$ - | \$ 14,020,738 | \$ 14,222,613 |
| US Agency securities | AA+ | 316,630 | - | 15,251,123 | 15,567,753 |
| Supra-National Agency | AAA | - | 3,406,172 | - | 3,406,172 |
| Municipal bonds | AA- to AAA | 332,696 | - | 4,671,627 | 5,004,323 |
| Corporate debt | AA- to AAA | - | - | 2,520,577 | 2,520,577 |
| Certificate of Deposit | A+ to A-1+ | - | - | 1,695,401 | 1,695,401 |
| | | \$ 851,201 | \$ 3,406,172 | \$ 38,159,466 | \$ 42,416,840 |

As of December 31, 2020, the District had invested \$38,514,077 in the Colorado Local Government Liquid Asset Trust ("CSIP") and \$21,152 in Colotrust, investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. These trusts operate similarly to a money market fund and each share is equal in value to \$1.00. Both are rated AAAM by Standard and Poor's. Investments are limited to those allowed by State statutes. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments. CSIP and Colotrust record investment at fair value and the District records its investment in both using the net asset value method.

The District has executed a safekeeping agreement with a financial institution that provides for the financial institution to act in a custodial capacity. The custodian holds investments acquired by the District in a Federal Reserve custodial account. The investments in this account are not available to the general creditors of the custodian. Ownership of the securities by the District is maintained in the custodian's internal accounting records.

The District categorizes its fair value measurements at the end of the fiscal year within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. All of the annuity's investments except for certificates of deposit are measured at fair value using level 1 inputs and certificate of deposits are measured using level 2 inputs.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

Concentration of Credit Risk – State statutes and the District’s investment policy limit the amount the District may invest in one issuer for commercial paper and corporate debt. At December 31, 2020, the District maintained investments in excess of 5% in the following:

| | |
|---|--------|
| US Agency securities | 19.20% |
| US Treasury securities | 17.54% |
| Local government investment pool - CSIP | 47.49% |
| Municipal Bonds | 6.17% |

B) CAPITAL ASSETS

An analysis of the changes in capital assets and the amount invested in capital assets net of related debt for the year ended December 31, 2020 follows:

| | Balance at January 1, 2020 | Increases | Decreases/ Reclasses | Balance at December 31, 12/31/2020 |
|--|----------------------------------|--------------|-------------------------|--|
| Capital assets not being depreciated: | | | | |
| Construction in progress | | | | |
| Capital assets to be retained by District | \$ 8,018,706 | \$ 6,203,575 | \$ 2,374,038 | \$ 11,848,243 |
| Public infrastructure to be dedicated | 95,846 | | - | 95,846 |
| | 8,114,552 | 6,203,575 | 2,374,038 | 11,944,089 |
| Land improvements | 35,948,140 | - | | 35,948,140 |
| Public infrastructure to be dedicated | 18,391,638 | - | - | 18,391,638 |
| | 62,454,330 | 6,203,575 | 2,374,038 | 66,283,867 |
| Capital assets being depreciated: | | | | |
| Buildings | 13,880,733 | 10,291 | | 13,891,024 |
| Improvements other than buildings | 21,955,014 | 2,253,738 | 41,118 | 24,167,634 |
| Machinery and equipment | 5,231,880 | 189,345 | 94,505 | 5,326,720 |
| Water and wastewater infrastructure | 65,410,226 | 902,345 | - | 66,312,571 |
| | 106,477,853 | 3,355,719 | 135,623 | 109,697,949 |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,692,590 | 299,917 | - | 3,992,507 |
| Improvements other than buildings | 18,058,799 | 1,024,297 | | 19,083,096 |
| Machinery and equipment | 3,194,523 | 409,605 | 94,505 | 3,509,623 |
| Water and wastewater infrastructure | 31,019,052 | 1,532,091 | | 32,551,143 |
| | 55,964,964 | 3,265,910 | 94,505 | 59,136,369 |
| Total capital assets being depreciated, net | 50,512,889 | 89,809 | 41,118 | 50,561,580 |
| Capital assets, net | \$ 112,967,219 | \$ 6,293,384 | \$ 2,415,156 | 116,845,447 |
| | | | | (19,190,000) |
| | | | | 12,295,000 |
| | | | | \$ 109,950,447 |

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

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

Governmental activities:

| | |
|---------------------------------|--------------|
| Parks and open space | \$ 1,493,856 |
| Cultural | 239,963 |
| Water and wastewater operations | 1,532,091 |
| Total depreciation expense | \$ 3,265,910 |

C) LONG-TERM DEBT

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

The District's long-term debt as of December 31, 2020, and the 2020 debt transactions are as follows:

| | Balance January 1, 2020 | Additions | Payments/ Amortization | Balance December 31, 12/31/2020 | Current Portion |
|----------------------|-------------------------------|-------------------|---------------------------|---------------------------------------|--------------------|
| General Obligation | \$ 22,805,000 | \$ - | \$ 3,615,000 | \$ 19,190,000 | \$ 3,685,000 |
| Capital Leases | - | - | - | - | - |
| Compensated Absences | 324,734 | 381,051 | 320,142 | 385,643 | 20,400 |
| | 23,129,734 | \$ 381,051 | \$ 3,935,142 | 19,575,643 | \$ 3,705,400 |
| | 3,479,000 | Current portion | | 3,705,400 | |
| | \$ 19,650,734 | Long term portion | | \$ 15,870,243 | |

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

Post consolidation issued debt

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

| | Principal | Interest | Total |
|------|---------------|--------------|---------------|
| 2021 | \$ 3,685,000 | \$ 345,420 | \$ 4,030,420 |
| 2022 | 3,760,000 | 279,090 | 4,039,090 |
| 2023 | 3,835,000 | 211,410 | 4,046,410 |
| 2024 | 3,915,000 | 142,380 | 4,057,380 |
| 2025 | 3,995,000 | 71,910 | 4,066,910 |
| | \$ 19,190,000 | \$ 1,050,210 | \$ 20,240,210 |

As of December 31, 2020, the District has \$70,195,000 of authorized but unissued debt that was authorized as part of the 2006 consolidation election.

**HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued**

CAPITAL LEASES PAYABLE

The District had no outstanding lease-purchase obligations outstanding during 2020.

D) INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The following schedule reflects the District's net receivables (payables) to other governmental entities at December 31, 2020:

| Due (to) from | Centennial |
|-------------------------|----------------|
| Receivable Funds | |
| General | \$ 112,502 |
| | 112,502 |
| Payable Funds | |
| General Fund | (304,817) |
| Utility Special Revenue | (2,008,304) |
| Mansion | (6,828) |
| Capital Projects | - |
| Major Repair | (364) |
| Other non-major | (93,903) |
| | (2,414,216) |
| | \$ (2,301,714) |

E) INTERFUND TRANSFERS

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

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

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

- from the General Fund to the Recreation Fund, which is included under Other Governmental Funds, to fund non-program expenses related to supporting programs.
- from the General Fund to the Capital Projects Fund the amount of funding required to fund the current year expenditures for stormwater management projects after consideration of funding received from stormwater fee and capital contributions.

**HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued**

The following schedule summarizes the District's inter-fund transfers during 2020:

| | General Fund | Special Revenue Fund | | Debt Service | Capital Projects | Major Repair | Nonmajor Funds |
|-----------------------|-----------------------|----------------------|-------------|-----------------|---------------------|---------------------|---------------------|
| | | Utility | Mansion | | | | |
| Transfers in | | | | | | | |
| Net investment income | \$ 13,223 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Specific board action | | | | | 389,800 | 1,735,820 | 1,481,417 |
| | <u>13,223</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>389,800</u> | <u>1,735,820</u> | <u>1,481,417</u> |
| Transfers out | | | | | | | |
| Net investment income | - | (13,223) | - | - | - | - | - |
| Specific board action | (3,607,037) | - | - | - | - | - | - |
| | <u>(3,607,037)</u> | <u>(13,223)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ (3,593,814)</u> | <u>\$ (13,223)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 389,800</u> | <u>\$ 1,735,820</u> | <u>\$ 1,481,417</u> |

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

IV) OTHER INFORMATION

A) DEFINED CONTRIBUTION PENSION PLAN

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

At December 31, 2020 there were 190 active plan members comprised of 90 full and part-time members employed by the District and 100 full and part-time members employed by Centennial. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become Plan members upon employment as regular full-time employees. Under the Plan, 6.2% of the Plan members' pensionable compensation is withheld and remitted to the Plan Administrator. The members are immediately invested in their contribution plus earnings. The District contributes a matching payment of 6.2% of Plan members' pensionable compensation. The District's contributions plus earnings become fully vested to the Plan members upon the completion of three years of Plan membership.

District contributions for Plan members who leave employment before they are fully vested are used to reduce the District's benefit obligations or to pay plan related expenses. There is no liability for benefits under the Plan beyond the District's matching payments.

Actual contributions to the plan for the year ended December 31, 2020 were \$330,358 from Plan members and the District recognized pension expense in the amount of \$323,458 with no reduction in District pension expense as the result of forfeitures.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

B) DEFERRED COMPENSATION PLAN

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

C) RISK MANAGEMENT

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

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

- property claims up to \$100,000,000.
- liability coverage for claims up to \$1,000,000.
- workers compensation claims up to statutory limits, with claims related to employer's liability up to \$2,000,000.

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

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

D) COMMITMENTS

a) Operating Leases

The District leases office and maintenance facilities from Centennial on an annual basis under an operating lease. The rental expense, including overhead and maintenance, for the period ending December 31, 2020 was \$181,100.

b) Intergovernmental Water and Wastewater Service Agreements

The District has entered into a water and wastewater service agreement with Centennial. The agreement provides for Centennial to provide potable water and wastewater treatment services to areas included within the District in exchange for prepayment of the reserved capacity fees to Centennial (Note I.D) in anticipation of collection of future tap fees. The payment pursuant to the base portion of this agreement was \$942,814 for the year ended December 31, 2020 with cumulative payments and credits to Centennial of \$200,858,210. The District has minimum future payments due of approximately \$1,467,410 of which the base payment of \$686,964 has been budgeted for payment in 2021.

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

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

e) Construction related commitments

As of December 31, 2020, unexpended appropriations for capital projects can be summarized as follows:

| | Capital Projects | | Major Repair | Conservation Trust |
|---|------------------|------------|-----------------|-----------------------|
| | General Govt. | Stormwater | | |
| Appropriated but unexpended carried forward | \$ 1,073,308 | \$ 700,977 | \$ 1,738,859 | \$ 302,756 |
| New appropriations | 251,406 | 164,738 | 7,820,450 | 188,474 |
| Rescissions | | | | |
| Total available | 1,324,714 | 865,715 | 9,559,309 | 491,230 |
| Expenditures | (477,720) | (389,800) | (5,024,903) | (439,904) |
| Ending appropriated but unexpended | \$ 846,994 | \$ 475,915 | \$ 4,534,405 | \$ 51,326 |

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

E) CARES Act and COVID-19 Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District’s financial condition, liquidity, and future results of operations. The District does not expect to realize a material effect on its operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. We continue to examine the impact that the CARES Act may have on our business. Currently, we are unable to determine the impact that the CARES Act will have on our financial condition, results of operations, or liquidity. The District did not receive any funding from the CARES Act.

F) SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date these financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure.

HIGHLANDS RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued

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**HIGHLANDS RANCH METROPOLITAN DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020**

| | <u>Special Revenue Funds</u> | | <u>Water/Wastewater Reserves</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|-------------------------------|-------------------|--------------------------------------|--|
| | <u>Conservation Trust</u> | <u>Recreation</u> | | |
| ASSETS | | | | |
| Cash deposits and investments | \$ 1,627,526 | \$ 165,954 | \$ 1,500,000 | \$ 3,293,480 |
| Other | 139,215 | - | - | 139,215 |
| Total assets | <u>\$ 1,766,741</u> | <u>\$ 165,954</u> | <u>\$ 1,500,000</u> | <u>\$ 3,432,695</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable and payroll liabilities | \$ 7,586 | \$ 65,796 | \$ - | \$ 73,382 |
| Customer deposits payable | - | 97,426 | - | 97,426 |
| Due to other governments | 171 | 2,732 | 91,000 | 93,903 |
| Total liabilities | <u>7,757</u> | <u>165,954</u> | <u>91,000</u> | <u>264,711</u> |
| Fund balances: | | | | |
| Restricted | | | | |
| Parks and recreation | 1,758,983 | - | - | 1,758,983 |
| Committed | | | | |
| Water and wastewater operations | - | - | 1,409,000 | 1,409,000 |
| Total fund balances | <u>1,758,983</u> | <u>-</u> | <u>1,409,000</u> | <u>3,167,983</u> |
| Total liabilities and fund balances | <u>\$ 1,766,740</u> | <u>\$ 165,954</u> | <u>\$ 1,500,000</u> | <u>\$ 3,432,694</u> |

See accompanying Independent Auditors' Report

HIGHLANDS RANCH METROPOLITAN DISTRICT
COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended
December 31, 2020

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------|---------------------|--|
| | Conservation | Recreation | Water/Wastewater | |
| | Trust | | Reserves | |
| REVENUES | | | | |
| Conservation trust fund | \$ 535,673 | \$ - | \$ - | \$ 535,673 |
| Program fees | - | 731,766 | - | 731,766 |
| Net investment income | 13,280 | - | 5,452 | 18,732 |
| Other | - | - | - | - |
| Total Revenues | <u>548,953</u> | <u>731,766</u> | <u>5,452</u> | <u>1,286,171</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Parks and open space | 206,725 | 601,020 | - | 807,745 |
| Recreation services | - | 917,615 | - | 917,615 |
| Capital: | | | | |
| Capital outlay | 233,179 | - | 91,000 | 324,179 |
| Total Expenditures | <u>439,904</u> | <u>1,518,635</u> | <u>91,000</u> | <u>2,049,539</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>109,049</u> | <u>(786,869)</u> | <u>(85,548)</u> | <u>(763,368)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in: | - | 786,869 | 694,548 | 1,481,417 |
| Transfers out: | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>786,869</u> | <u>694,548</u> | <u>1,481,417</u> |
| Net change in fund balances | 109,049 | - | 609,000 | 718,049 |
| Fund balances - beginning | <u>1,649,935</u> | <u>-</u> | <u>800,000</u> | <u>2,449,935</u> |
| Fund balances - ending | <u>\$ 1,758,984</u> | <u>\$ -</u> | <u>\$ 1,409,000</u> | <u>\$ 3,167,984</u> |

See accompanying Independent Auditors' Report

**HIGHLANDS RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2020**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 3,874,260 | \$ 3,874,260 | \$ 3,898,709 | \$ 24,449 |
| Net investment income | 70,900 | 70,900 | 113,802 | 42,902 |
| Total Revenues | 3,945,160 | 3,945,160 | 4,012,511 | 67,351 |
| EXPENDITURES | | | | |
| General government | 500 | 500 | 300 | 200 |
| Debt service | 4,025,490 | 4,025,490 | 4,025,490 | - |
| Total Expenditures | 4,025,990 | 4,025,990 | 4,025,790 | 200 |
| Excess (deficiency) of revenues over (under) expenditures | (80,830) | (80,830) | (13,279) | 67,551 |
| Net change in fund balance | (80,830) | (80,830) | (13,279) | 67,551 |
| Fund balance - beginning | 4,802,280 | 5,499,314 | 5,499,314 | - |
| Fund balance - ending | \$ 4,721,450 | \$ 5,418,484 | \$ 5,486,035 | \$ 67,551 |

See accompanying Independent Auditors' Report

HIGHLANDS RANCH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2020

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| System development fees | \$ 970,000 | \$ 970,000 | \$ 1,011,493 | \$ 41,493 |
| Net investment income | 381,900 | 381,900 | 506,352 | 124,452 |
| Contributions | 337,000 | 337,000 | 160,000 | (177,000) |
| Intergovernmental | 93,900 | 93,900 | 81,705 | (12,195) |
| Total Revenues | 1,782,800 | 1,782,800 | 1,759,550 | (23,250) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Cultural / Parks and Open Space | 806,401 | 75,000 | 42,326 | 32,674 |
| Capital: | | | | |
| Capital outlay - capital projects fund | 2,999,606 | 1,249,714 | 435,394 | 814,320 |
| Capital outlay - stormwater management | 951,000 | 865,715 | 389,800 | 475,915 |
| Total Expenditures | 4,757,007 | 2,190,429 | 867,520 | 1,322,909 |
| Excess (deficiency) of revenues over (under) expenditures | (2,974,207) | (407,629) | 892,030 | 1,299,659 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in: | 951,000 | 951,000 | 389,800 | (561,200) |
| Transfers out: | - | - | - | - |
| Total other financing sources (uses) | 951,000 | 951,000 | 389,800 | (561,200) |
| Net change in fund balance | (2,023,207) | 543,371 | 1,281,830 | 738,459 |
| Fund balance - beginning | 27,138,693 | 28,149,647 | 28,149,647 | - |
| Fund balance - ending | \$ 25,115,486 | \$ 28,693,018 | \$ 29,431,477 | \$ 738,459 |

**HIGHLANDS RANCH METROPOLITAN DISTRICT
 CONSERVATION TRUST SPECIAL REVENUE FUND
 STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
 BUDGET and ACTUAL
 For the year ended
 December 31, 2020**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------|--------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Conservation Trust Fund | \$ 470,000 | \$ 470,000 | \$ 535,673 | \$ 65,673 |
| Net investment income | 23,600 | 23,600 | 13,280 | (10,320) |
| Total Revenues | 493,600 | 493,600 | 548,953 | 55,353 |
| EXPENDITURES | | | | |
| Intergovernmental | | | | |
| Payment to GG Capital Projects | 93,900 | 93,900 | 81,705 | 12,195 |
| Payment to Major Repair | - | 125,020 | 125,020 | - |
| Outlay (project length appropriations) | 1,035,000 | 491,230 | 233,179 | 258,051 |
| Total Expenditures | 1,128,900 | 710,150 | 439,904 | 270,246 |
| Excess (deficiency) of revenues over (under) expenditures | (635,300) | (216,550) | 109,049 | 325,599 |
| Net change in fund balances | (635,300) | (216,550) | 109,049 | 325,599 |
| Fund balances - beginning | 1,335,405 | 1,649,935 | 1,649,935 | - |
| Fund balances - ending | \$ 700,105 | \$ 1,433,385 | \$ 1,758,984 | \$ 325,599 |

**HIGHLANDS RANCH METROPOLITAN DISTRICT
RECREATION SPECIAL REVENUE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2020**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|-------------------|--|
| | Original and Final | Original and Final | | |
| REVENUES | | | | |
| Program fees and revenues | \$ 1,501,587 | \$ 628,100 | \$ 731,766 | \$ 103,666 |
| Other | 45,475 | 58,500 | - | (58,500) |
| Total Revenues | <u>1,547,062</u> | <u>686,600</u> | <u>731,766</u> | <u>45,166</u> |
| EXPENDITURES | | | | |
| Parks and open space | 750,494 | 750,494 | 601,020 | 149,474 |
| Recreation services | 1,381,818 | 1,139,783 | 917,615 | 222,168 |
| Total Expenditures | <u>2,132,312</u> | <u>1,890,277</u> | <u>1,518,635</u> | <u>371,642</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(585,250)</u> | <u>(1,203,677)</u> | <u>(786,869)</u> | <u>416,808</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in: | 585,250 | 828,400 | 786,869 | (41,531) |
| Transfers out: | - | - | - | - |
| Total other financing sources (uses) | <u>585,250</u> | <u>828,400</u> | <u>786,869</u> | <u>(41,531)</u> |
| Net change in fund balances | - | (375,277) | - | 375,277 |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | <u>\$ -</u> | <u>\$ (375,277)</u> | <u>\$ -</u> | <u>\$ 375,277</u> |

**HIGHLANDS RANCH METROPOLITAN DISTRICT
MAJOR REPAIR FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2020**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| REVENUES | | | | |
| Other | \$ 900,000 | \$ 900,000 | \$ 985,064 | \$ 85,064 |
| Net investment income | 6,800 | 6,800 | 40,233 | 33,433 |
| Intergovernmental | - | - | 125,020 | 125,020 |
| Total Revenues | <u>906,800</u> | <u>906,800</u> | <u>1,150,317</u> | <u>243,517</u> |
| EXPENDITURES | | | | |
| Major repair, renovation and replacement | 8,066,415 | 9,559,309 | 5,024,903 | 4,534,405 |
| Vehicle and Equipment Replacement (non-fire) | 235,820 | 235,820 | 193,382 | 42,438 |
| Total Expenditures | <u>8,302,235</u> | <u>9,795,129</u> | <u>5,218,285</u> | <u>4,576,844</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(7,395,435)</u> | <u>(8,888,329)</u> | <u>(4,067,968)</u> | <u>4,820,361</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in: | 1,735,820 | 1,735,820 | 1,735,820 | - |
| Total other financing sources (uses) | <u>1,735,820</u> | <u>1,735,820</u> | <u>1,735,820</u> | <u>-</u> |
| Net change in fund balance | (5,659,615) | (7,152,509) | (2,332,148) | 4,820,361 |
| Fund balance - beginning | 8,965,350 | 10,524,678 | 10,524,678 | - |
| Fund balance - ending | <u>\$ 3,305,735</u> | <u>\$ 3,372,170</u> | <u>\$ 8,192,531</u> | <u>\$ 4,820,361</u> |

See accompanying Independent Auditors' Report

HIGHLANDS RANCH METROPOLITAN DISTRICT
WATER AND SEWER RESERVE FUND
STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
BUDGET and ACTUAL
For the year ended
December 31, 2020

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-----------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Net investment income | \$ - | \$ - | \$ 5,452 | \$ 5,452 |
| Contributions | - | - | - | - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>5,452</u> | <u>5,452</u> |
| EXPENDITURES | | | | |
| Water Line Replacement | 775,000 | 775,000 | 91,000 | 684,000 |
| Total Expenditures | <u>775,000</u> | <u>775,000</u> | <u>91,000</u> | <u>684,000</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(775,000)</u> | <u>(775,000)</u> | <u>(85,548)</u> | <u>689,452</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in: | 700,000 | 700,000 | 694,548 | (5,452) |
| Total other financing sources (uses) | <u>700,000</u> | <u>700,000</u> | <u>694,548</u> | <u>(5,452)</u> |
| Net change in fund balance | (75,000) | (75,000) | 609,000 | 684,000 |
| Fund balance - beginning | 800,000 | 800,000 | 800,000 | - |
| Fund balance - ending | <u>\$ 725,000</u> | <u>\$ 725,000</u> | <u>\$ 1,409,000</u> | <u>\$ 684,000</u> |

See accompanying Independent Auditors' Report

Highlands Ranch Metropolitan District

TABLE A-1
NET POSITION BY COMPONENT
Last Ten Years (SEE NOTE)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 60,390,587 | \$ 69,576,658 | \$ 71,527,866 | \$ 79,196,482 | \$ 85,523,946 | \$ 93,783,969 | \$ 95,646,229 | \$ 102,297,682 | \$ 102,497,282 | \$ 109,950,447 |
| Restricted for: | | | | | | | | | | |
| Emergency reserves | 511,000 | 555,000 | 499,000 | 561,000 | 530,000 | 412,000 | 785,000 | 760,000 | 552,000 | 645,000 |
| Parks and Recreation | 892,683 | 783,448 | 1,245,446 | 1,612,558 | 1,912,044 | 2,476,958 | 3,007,342 | 1,385,853 | 1,649,935 | 1,758,983 |
| Debt Service | 7,736,821 | 9,155,624 | 9,181,636 | 9,196,477 | 8,152,237 | 625,741 | 4,278,172 | 4,740,629 | 5,465,482 | 5,457,565 |
| Unrestricted | 16,577,561 | 14,457,103 | 17,952,162 | 18,231,557 | 22,415,774 | 29,922,310 | 33,425,152 | 43,986,567 | 53,878,214 | 58,727,932 |
| Total Governmental activities net position | \$ 86,108,652 | \$ 94,527,833 | \$ 100,406,110 | \$ 108,798,074 | \$ 118,534,001 | \$ 127,220,978 | \$ 137,141,895 | \$ 153,170,731 | \$ 164,042,913 | \$ 176,539,927 |

Highlands Ranch Metropolitan District

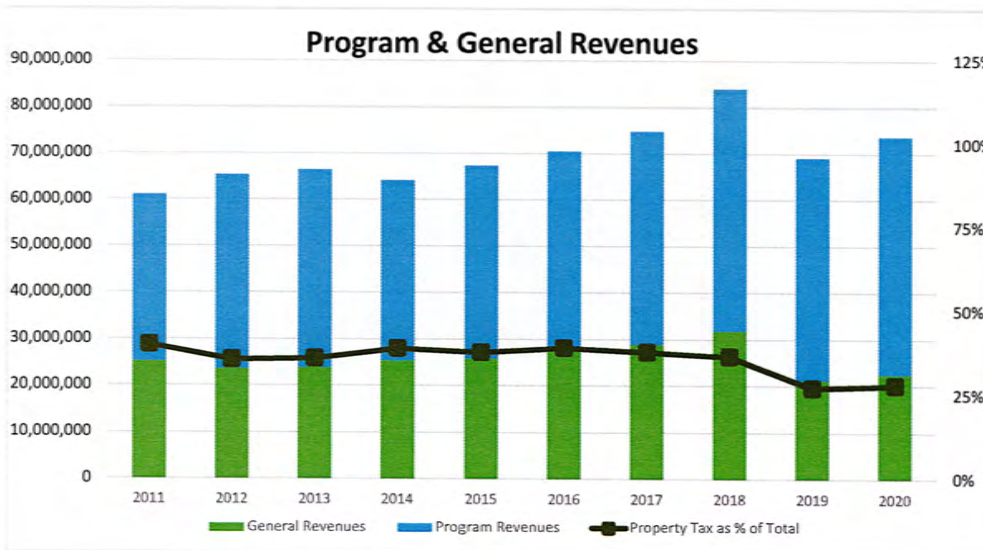
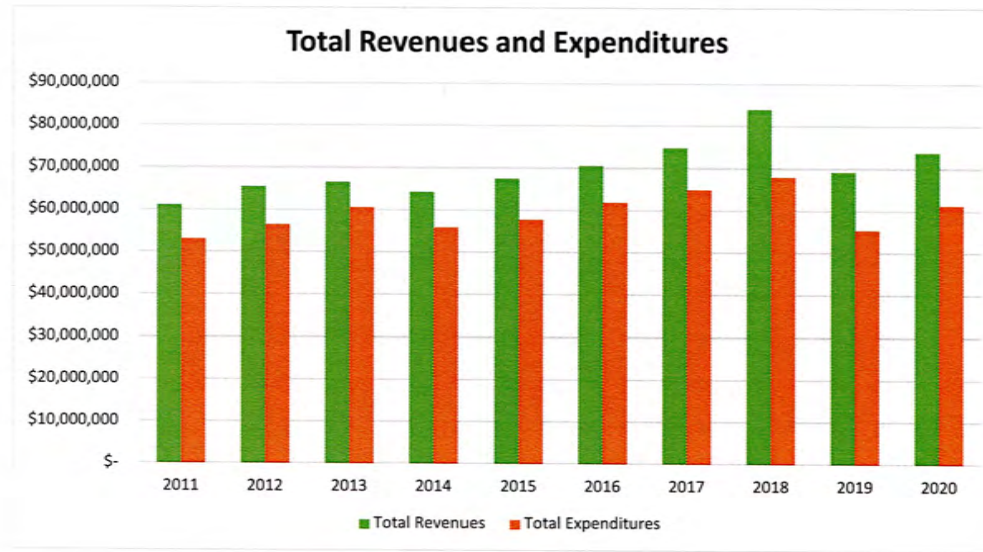
TABLE A-2

CHANGE IN NET POSITION

Last Ten Years (SEE NOTE)

| | 2011 Restated | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| EXPENSES | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Operations | | | | | | | | | | |
| General government | \$ 2,324,158 | \$ 1,930,888 | \$ 1,985,639 | \$ 2,092,514 | \$ 2,095,072 | \$ 2,150,671 | \$ 2,141,593 | \$ 2,424,163 | \$ 2,895,769 | \$ 2,749,535 |
| Public Works | 591,034 | 633,611 | 7,651,931 | 859,597 | 780,214 | 754,766 | 811,057 | 841,755 | 886,784 | 971,946 |
| Public Safety | 6,340,509 | 6,491,853 | 6,702,622 | 7,174,233 | 7,764,336 | 8,209,592 | 9,496,956 | 9,101,571 | 13,510 | 12,380 |
| Streetlights | 1,246,780 | 1,276,853 | 1,561,104 | 1,373,169 | 1,450,533 | 1,208,848 | 1,408,707 | 1,138,135 | 1,142,622 | 1,192,452 |
| Parks, open space & recreation services | 9,558,711 | 9,859,461 | 9,277,181 | 9,789,182 | 10,466,601 | 10,632,651 | 11,230,809 | 13,091,021 | 11,695,986 | 11,448,873 |
| Cultural | 128,116 | 816,946 | 652,008 | 690,234 | 777,930 | 774,605 | 861,440 | 944,990 | 841,166 | 756,241 |
| Water and wastewater operations | 29,365,828 | 32,338,684 | 30,093,794 | 31,512,290 | 32,504,644 | 36,862,402 | 38,554,433 | 40,018,837 | 37,597,289 | 43,825,713 |
| Interest on long term debt | 3,622,307 | 3,200,758 | 2,820,930 | 2,455,638 | 2,020,179 | 1,385,959 | 521,963 | 536,138 | 481,964 | 416,391 |
| Total governmental activities expenses | <u>53,177,443</u> | <u>56,549,054</u> | <u>60,745,209</u> | <u>55,946,857</u> | <u>57,859,509</u> | <u>61,979,494</u> | <u>65,026,957</u> | <u>68,096,610</u> | <u>55,555,090</u> | <u>61,373,532</u> |
| PROGRAM REVENUES | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Water and wastewater operations | 25,862,585 | 27,895,044 | 26,038,041 | 27,451,048 | 28,789,563 | 31,927,850 | 31,950,804 | 34,394,092 | 35,064,777 | 40,480,618 |
| General Fund operations | | | | | | | | | | |
| Public Safety | 1,000 | - | - | 41,694 | 13,767 | 24,476 | - | - | - | - |
| General government | 781,518 | 531,480 | 537,144 | 544,653 | 586,902 | 539,085 | 777,887 | 694,497 | 735,641 | 713,424 |
| Street lights | 755,283 | 1,100,303 | 1,167,601 | 1,163,641 | 1,355,021 | 1,441,425 | 1,452,173 | 1,456,098 | 1,470,363 | 1,464,833 |
| Parks, open space & recreation services | 1,891,552 | 2,157,025 | 1,486,021 | 1,505,838 | 1,692,172 | 1,517,055 | 1,508,465 | 3,461,651 | 1,775,849 | 1,026,098 |
| Cultural | 1,250 | 187,862 | 481,834 | 424,348 | 580,559 | 570,017 | 679,340 | 575,529 | 684,621 | 133,246 |
| Public Works | 1,153,615 | 1,211,586 | 1,216,582 | 1,235,494 | 1,416,999 | 1,370,359 | 1,302,630 | 1,556,073 | 2,080,755 | 1,914,998 |
| Capital grants and contributions | | | | | | | | | | |
| Tap fees | 2,354,296 | 3,499,380 | 4,597,540 | 3,068,780 | 3,095,135 | 1,470,610 | 3,582,280 | 3,631,880 | 3,111,680 | 3,032,040 |
| System Development fees | 2,073,896 | 3,203,647 | 3,699,566 | 2,620,591 | 3,019,829 | 1,420,565 | 2,294,482 | 4,294,725 | 1,672,544 | 1,011,493 |
| Conservation Trust Fund | 437,102 | 462,064 | 503,045 | 458,543 | 468,436 | 553,043 | 500,312 | 524,645 | 580,820 | 535,673 |
| Capital contributions | 94,431 | 230,462 | 386,002 | 81,159 | 140,000 | 50,380 | 160,250 | 998,699 | 85,000 | 160,000 |
| Donated assets | 447,941 | 1,233,285 | 2,486,272 | 196,743 | 376,104 | 1,485,811 | 1,727,411 | 551,502 | 628,127 | 811,345 |
| Total governmental activities revenues | <u>35,854,469</u> | <u>41,712,138</u> | <u>42,599,648</u> | <u>38,792,532</u> | <u>41,534,487</u> | <u>42,370,676</u> | <u>45,936,034</u> | <u>52,139,391</u> | <u>47,890,177</u> | <u>51,283,768</u> |
| NET (EXPENSE)/ REVENUE | | | | | | | | | | |
| Governmental Activities | <u>(17,322,974)</u> | <u>(14,836,916)</u> | <u>(18,145,561)</u> | <u>(17,154,325)</u> | <u>(16,325,022)</u> | <u>(19,608,818)</u> | <u>(19,090,924)</u> | <u>(15,957,219)</u> | <u>(7,664,913)</u> | <u>(10,089,764)</u> |
| GENERAL REVENUES | | | | | | | | | | |
| Property taxes | 24,526,401 | 23,310,293 | 23,936,517 | 25,015,160 | 25,555,782 | 27,613,074 | 28,398,826 | 30,725,902 | 18,868,797 | 20,675,020 |
| Net investment income | 705,477 | 432,243 | (57,393) | 351,194 | 285,670 | 512,243 | 472,219 | 1,161,434 | 2,265,996 | 1,784,896 |
| Other | 110,643 | 55,455 | 144,713 | 179,936 | 219,497 | 170,478 | 140,796 | 98,717 | 259,833 | 126,861 |
| Total general revenues | <u>25,342,521</u> | <u>23,797,991</u> | <u>24,023,837</u> | <u>25,546,290</u> | <u>26,060,949</u> | <u>28,295,795</u> | <u>29,011,841</u> | <u>31,986,053</u> | <u>21,394,626</u> | <u>22,586,777</u> |
| SPECIAL ITEM - Transfer of Operations | | | | | | | | | | |
| CHANGE IN NET POSITION | 8,019,547 | 8,961,075 | 5,878,276 | 8,391,965 | 9,735,927 | 8,686,977 | 9,920,917 | 16,028,834 | 13,729,713 | 12,497,013 |
| Restatement of prior years to implement GASB 65 | (541,894) | - | - | - | - | - | - | - | - | - |
| NET POSITION - BEGINNING OF YEAR | 78,089,105 | 85,566,758 | 94,527,833 | 100,406,109 | 108,798,074 | 118,534,001 | 127,220,978 | 137,141,895 | 153,170,729 | 164,042,912 |
| NET POSITION - END OF YEAR | <u>\$ 85,566,758</u> | <u>\$ 94,527,833</u> | <u>\$ 100,406,109</u> | <u>\$ 108,798,074</u> | <u>\$ 118,534,001</u> | <u>\$ 127,220,978</u> | <u>\$ 137,141,895</u> | <u>\$ 153,170,729</u> | <u>\$ 164,042,912</u> | <u>\$ 176,539,927</u> |

Highlands Ranch Metropolitan District
 CHARTS A-2
 Last Ten Years



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

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | | | | | | | | | | |
| Unreserved | | | | | | | | | | |
| Restricted | \$ 511,000 | \$ 556,000 | \$ 499,000 | \$ 561,000 | \$ 530,000 | \$ 412,000 | \$ 785,000 | \$ 760,000 | \$ 552,000 | \$ 575,000 |
| Committed | 288,482 | 858,293 | 1,277,836 | 1,141,398 | 1,298,266 | 1,007,119 | 1,103,798 | 1,320,736 | 1,548,722 | 1,863,580 |
| Unassigned | 14,442,223 | 15,245,656 | 15,882,783 | 14,898,929 | 14,902,707 | 16,256,814 | 16,250,248 | 19,067,023 | 16,099,638 | 19,909,782 |
| Total General Fund | <u>15,241,705</u> | <u>16,659,949</u> | <u>17,659,619</u> | <u>16,601,327</u> | <u>16,730,973</u> | <u>17,675,933</u> | <u>18,139,046</u> | <u>21,147,759</u> | <u>18,200,360</u> | <u>22,348,362</u> |
| All other Governmental Funds | | | | | | | | | | |
| Restricted | 8,870,298 | 10,113,448 | 10,575,446 | 10,942,558 | 10,162,044 | 3,156,715 | 7,329,723 | 6,165,565 | 7,149,249 | 7,245,019 |
| Committed | | | | | | | | | | |
| Utility Special Revenue fund | 2,494,062 | 2,717,556 | 4,535,327 | 4,785,516 | 5,656,723 | 3,878,410 | 2,395,844 | 2,230,433 | 4,661,583 | 7,630,147 |
| Capital Projects fund | 2,503,473 | 910,140 | 780,317 | 465,234 | 1,337,820 | 636,445 | 3,879,466 | 1,690,610 | 1,073,308 | 5,381,399 |
| Other Governmental funds | 30,811 | 4,802,144 | 4,133,514 | 4,786,687 | 4,840,787 | 4,904,274 | 5,172,898 | 4,684,000 | 7,389,871 | 4,422,253 |
| Assigned | | | | | | | | | | |
| Capital Projects fund | 12,823,260 | 8,809,451 | 8,433,969 | 6,740,154 | 5,766,329 | 13,367,737 | 15,037,209 | 25,591,453 | 27,076,340 | 28,584,483 |
| Other Governmental funds | 6,499,589 | 1,420,901 | 1,525,437 | 2,227,028 | 2,844,945 | 2,362,536 | 2,102,732 | 1,961,154 | 8,648,486 | 3,658,125 |
| Total all other governmental funds | <u>33,221,493</u> | <u>28,773,640</u> | <u>29,984,010</u> | <u>29,947,177</u> | <u>30,608,648</u> | <u>28,306,117</u> | <u>35,917,872</u> | <u>42,323,215</u> | <u>55,998,837</u> | <u>56,921,426</u> |
| Total all funds | <u>\$ 48,463,198</u> | <u>\$ 45,433,589</u> | <u>\$ 47,643,629</u> | <u>\$ 46,548,504</u> | <u>\$ 47,339,621</u> | <u>\$ 45,982,050</u> | <u>\$ 54,056,918</u> | <u>\$ 63,470,974</u> | <u>\$ 74,199,197</u> | <u>\$ 79,269,788</u> |

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

Highlands Ranch Metropolitan District

TABLE A-4

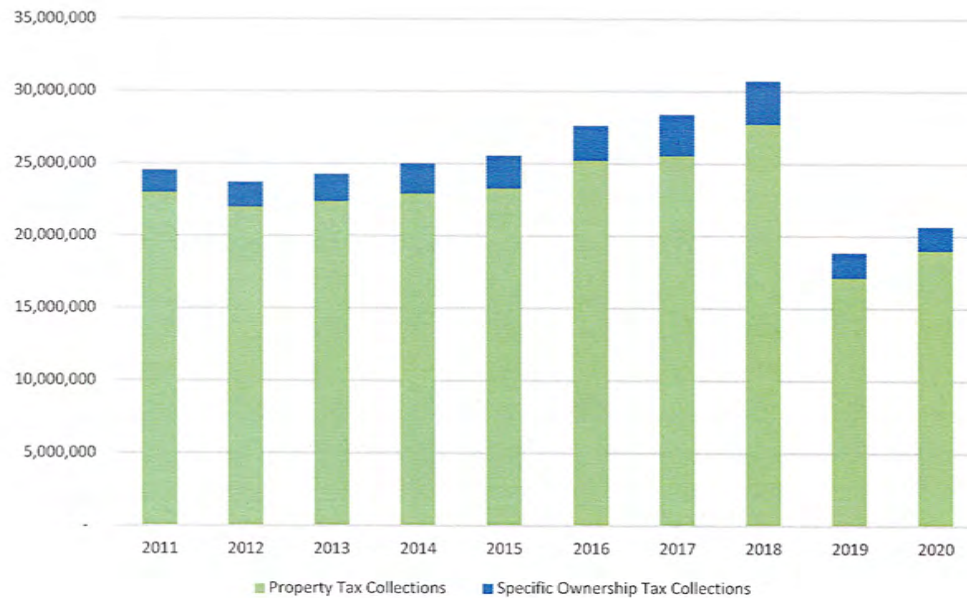
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Last Ten Years (SEE NOTE)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-----------------------|-----------------------|---------------------|-----------------------|-------------------|-----------------------|---------------------|---------------------|----------------------|---------------------|
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 24,526,401 | \$ 23,310,293 | \$ 23,936,517 | \$ 25,015,160 | \$ 25,555,782 | \$ 27,613,074 | \$ 28,398,826 | \$ 30,725,902 | \$ 18,868,797 | \$ 20,675,020 |
| System Development fees | 2,073,896 | 3,203,647 | 3,699,566 | 2,620,591 | 3,019,829 | 1,420,565 | 2,294,481 | 4,294,725 | 1,672,544 | 1,011,493 |
| Tap fees | 2,354,296 | 3,499,380 | 4,597,540 | 3,068,780 | 3,095,135 | 1,470,610 | 3,582,280 | 3,631,880 | 3,111,680 | 3,032,040 |
| Water operations | 18,138,859 | 19,921,448 | 17,722,012 | 19,081,069 | 19,981,342 | 22,597,760 | 22,391,288 | 24,503,256 | 24,048,223 | 29,076,106 |
| Wastewater operations | 7,723,726 | 7,973,596 | 8,316,029 | 8,369,979 | 8,808,221 | 9,330,090 | 9,559,516 | 9,890,836 | 11,016,554 | 11,404,512 |
| Street light fees | 755,283 | 1,100,303 | 1,167,601 | 1,163,641 | 1,355,021 | 1,441,425 | 1,452,171 | 1,456,098 | 1,470,363 | 1,464,833 |
| Stormwater management fees | 641,616 | 701,272 | 723,998 | 725,968 | 734,611 | 740,973 | 784,678 | 829,140 | 889,103 | 893,801 |
| Conservation Trust Fund | 437,102 | 462,064 | 503,045 | 458,543 | 468,436 | 553,043 | 500,312 | 524,645 | 580,820 | 861,909 |
| Program Fees | 1,326,325 | 1,592,087 | 1,866,333 | 1,819,939 | 1,885,624 | 1,837,352 | 2,020,035 | 1,868,678 | 2,045,711 | 535,673 |
| Intergovernmental | 1,380,106 | 1,131,466 | 584,325 | 626,666 | 771,518 | 614,905 | 815,166 | 2,807,354 | 1,093,268 | 956,202 |
| Net investment income (loss) | 705,477 | 432,243 | (57,392) | 351,194 | 285,670 | 512,243 | 472,219 | 1,161,434 | 2,265,996 | 1,784,896 |
| Contributions | 94,431 | 230,462 | 386,002 | 81,159 | 140,000 | 50,380 | 160,250 | 998,699 | 85,000 | 160,000 |
| Other | 591,531 | 718,582 | 691,638 | 759,391 | 1,118,143 | 998,240 | 789,240 | 881,295 | 1,508,617 | 1,202,715 |
| Total Revenues | 60,749,049 | 64,276,843 | 64,137,214 | 64,142,080 | 67,219,332 | 69,180,660 | 73,220,462 | 83,573,942 | 68,656,676 | 73,059,200 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 2,161,154 | 1,927,999 | 1,883,312 | 2,131,940 | 2,081,299 | 2,134,933 | 2,131,317 | 2,401,689 | 2,886,609 | 2,706,416 |
| Public Safety | 7,423,112 | 7,604,529 | 8,131,241 | 8,414,917 | 9,051,875 | 9,231,499 | 10,704,073 | 9,970,298 | 1,156,132 | 1,204,832 |
| Parks and open space | 7,497,087 | 7,683,853 | 7,158,764 | 7,664,304 | 8,069,845 | 8,198,521 | 8,366,074 | 10,685,061 | 8,871,021 | 8,980,565 |
| Recreation services | 856,233 | 867,390 | 917,580 | 870,743 | 883,744 | 942,020 | 1,523,413 | 1,014,693 | 1,142,311 | 917,615 |
| Cultural | 65,366 | 661,330 | 428,310 | 463,732 | 545,093 | 481,376 | 538,608 | 645,073 | 601,203 | 516,278 |
| Public Works | 608,969 | 571,596 | 616,861 | 612,498 | 666,454 | 573,737 | 624,465 | 676,602 | 715,180 | 780,732 |
| Stormwater management | - | 103,489 | 107,683 | 142,818 | 108,108 | 179,633 | 192,185 | 159,131 | 168,459 | 189,143 |
| Water operations | 18,138,859 | 19,921,448 | 17,722,012 | 19,081,069 | 19,981,342 | 22,597,760 | 22,391,288 | 24,503,256 | 24,048,223 | 29,076,106 |
| Wastewater operations | 7,723,726 | 7,973,596 | 8,316,029 | 8,369,979 | 8,808,221 | 9,330,090 | 9,559,516 | 9,890,836 | 11,016,554 | 11,404,512 |
| Investment in reserved capacity | 2,188,557 | 3,108,063 | 2,673,681 | 2,645,632 | 2,295,310 | 3,488,508 | 5,120,020 | 4,115,252 | 1,008,272 | 1,813,004 |
| Debt service - principal | 8,676,535 | 9,052,935 | 8,944,527 | 9,350,404 | 9,770,000 | 7,135,000 | - | 3,455,000 | 3,540,000 | 3,615,000 |
| Debt service - interest | 3,814,527 | 3,384,704 | 2,949,393 | 2,545,976 | 2,103,320 | 1,304,580 | 536,400 | 536,400 | 474,210 | 410,490 |
| Bond Issuance costs | - | - | - | - | - | 73,604 | - | - | - | - |
| Capital outlay related | 4,252,904 | 4,445,520 | 2,077,784 | 2,943,191 | 2,063,606 | 4,937,916 | 3,458,234 | 6,106,598 | 2,300,280 | 6,373,913 |
| Total Expenditures | 63,407,029 | 67,306,452 | 61,927,177 | 65,237,203 | 66,428,217 | 70,609,177 | 65,145,593 | 74,159,889 | 57,928,454 | 67,988,606 |
| Excess of revenues over (under) expenditures | (2,657,980) | (3,029,609) | 2,210,037 | (1,095,123) | 791,115 | (1,428,517) | 8,074,869 | 9,414,053 | 10,728,222 | 5,070,594 |
| OTHER FINANCING SOURCES | | | | | | | | | | |
| Transfer in: | 4,007,330 | 5,958,989 | 4,291,064 | 6,910,229 | 4,196,717 | (3,744,627) | 5,993,501 | 5,725,120 | 10,514,307 | 3,620,260 |
| Transfer out: | (4,007,330) | (5,958,989) | (4,291,064) | (6,910,229) | (4,196,717) | 3,744,626 | (5,993,501) | (5,725,120) | (10,514,307) | (3,620,260) |
| Capital Lease | - | - | - | - | - | - | - | - | - | - |
| Proceeds from bonds issued | - | - | - | - | - | 29,800,000 | - | - | - | - |
| Payment to refunded escrow agent | - | - | - | - | - | (29,729,054) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | 70,945 | - | - | - | - |
| Net Change in Fund Balances | \$ (2,657,980) | \$ (3,029,609) | \$ 2,210,037 | \$ (1,095,123) | \$ 791,115 | \$ (1,357,572) | \$ 8,074,869 | \$ 9,414,053 | \$ 10,728,222 | \$ 5,070,594 |
| Debt service as a percentage of noncapital expenditures | 21% | 20% | 20% | 19% | 18% | 13% | 1% | 6% | 7% | 7% |

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

| Collection Year | Property Tax Collections | Specific Ownership Tax Collections | New Growth | | Total Tax Collections |
|-----------------|--------------------------|------------------------------------|------------------|------------------------|-----------------------|
| | | | Growth Valuation | Growth Tax Collections | |
| 2011 | 22,972,711 | 1,553,690 | - | - | 24,526,401 |
| 2012 | 21,968,366 | 1,717,458 | - | - | 23,310,293 |
| 2013 | 22,363,424 | 1,895,756 | - | - | 23,936,517 |
| 2014 | 22,898,399 | 2,116,761 | - | - | 25,015,160 |
| 2015 | 23,271,839 | 2,283,942 | - | - | 25,555,782 |
| 2016 | 25,240,106 | 2,372,968 | - | - | 27,613,074 |
| 2017 | 25,555,431 | 2,843,395 | - | - | 28,398,826 |
| 2018 | 27,737,316 | 2,988,586 | - | - | 30,725,902 |
| 2019 | 17,116,130 | 1,752,667 | - | - | 18,868,797 |
| 2020 | 18,993,720 | 1,668,095 | - | - | 20,661,815 |



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

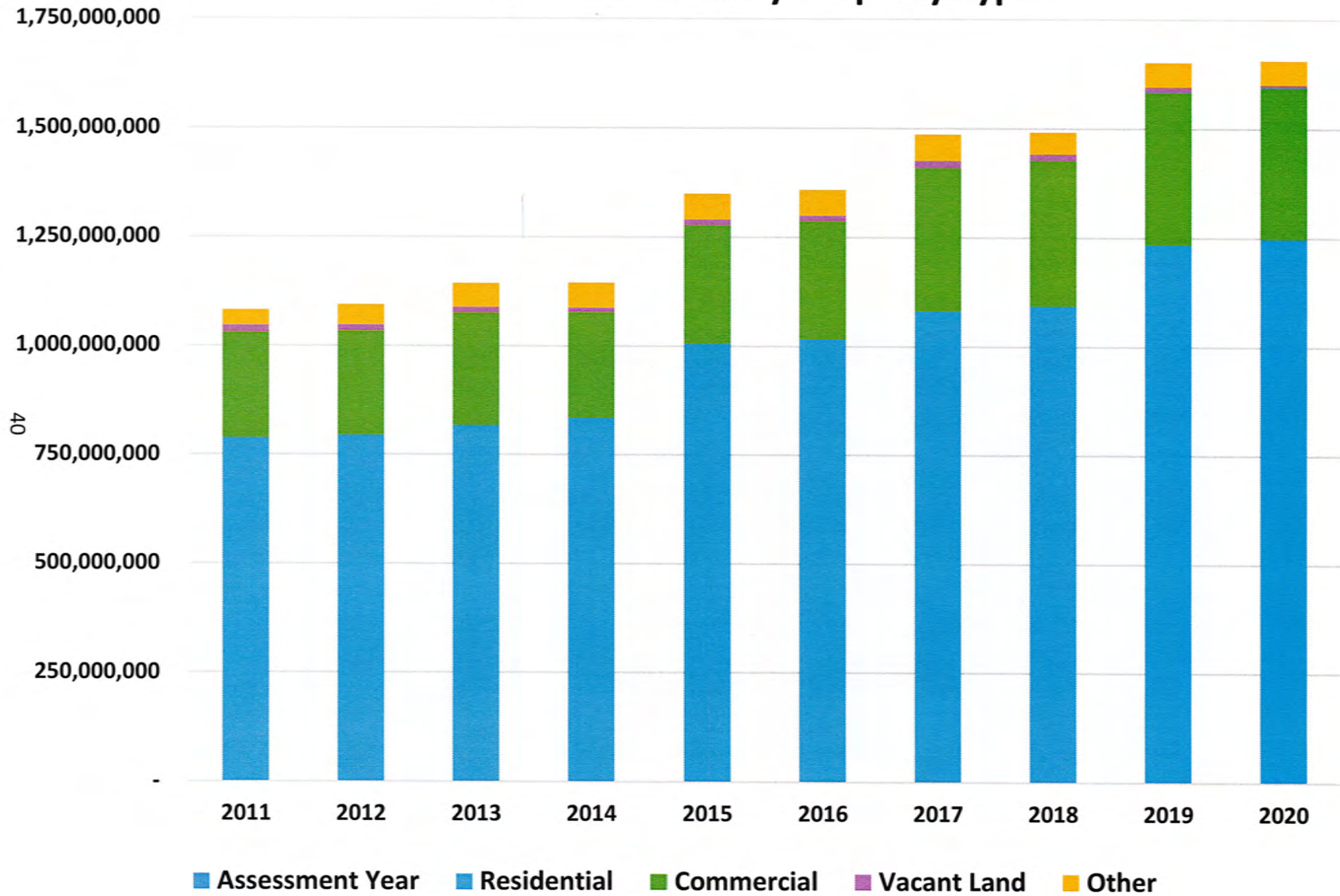
| Assessment Year | Residential | Commercial | Business Personal Property | Vacant Land | Other | Total Assessed Value | Total Direct Tax Rate | Total Actual Value | Ratio of Assessed to Actual Value | Annual increase (decrease) in actual value |
|-----------------|---------------|-------------|----------------------------|-------------|------------|----------------------|-----------------------|--------------------|-----------------------------------|--|
| 2011 | 787,793,780 | 241,956,610 | 53,705,680 | 15,880,930 | 34,588,070 | 1,133,925,070 | 19.713 | 11,090,851,006 | 10.22% | |
| 2012 | 794,336,090 | 238,436,310 | 55,496,750 | 13,958,640 | 45,506,970 | 1,147,734,760 | 19.713 | 11,197,999,390 | 10.25% | 0.97% |
| 2013 | 817,028,890 | 257,811,620 | 54,609,760 | 13,205,630 | 54,143,091 | 1,196,798,991 | 19.713 | 11,573,520,551 | 10.34% | 3.35% |
| 2014 | 833,591,020 | 242,784,670 | 61,369,820 | 10,514,010 | 56,728,790 | 1,204,988,310 | 19.713 | 11,751,646,069 | 10.25% | 1.54% |
| 2015 | 1,003,448,250 | 274,626,450 | 67,464,200 | 13,121,170 | 58,756,360 | 1,417,416,430 | 18.205 | 14,033,712,023 | 10.10% | 19.42% |
| 2016 | 1,014,925,740 | 273,176,560 | 66,442,310 | 12,750,670 | 58,510,070 | 1,425,805,350 | 18.205 | 14,167,343,204 | 10.06% | 0.95% |
| 2017 | 1,079,801,740 | 330,363,310 | 65,084,660 | 17,105,550 | 60,002,090 | 1,552,357,350 | 18.205 | 16,623,700,399 | 9.34% | 17.34% |
| 2018 | 1,091,918,930 | 336,748,950 | 67,469,600 | 13,899,110 | 49,848,840 | 1,559,885,430 | 11.205 | 16,775,181,850 | 9.30% | 0.91% |
| 2019 | 1,234,743,190 | 350,814,380 | 73,813,870 | 11,305,070 | 55,205,430 | 1,725,881,940 | 11.205 | 18,963,021,790 | 9.10% | 13.04% |
| 2020 | 1,247,475,970 | 349,372,680 | 77,036,630 | 4,745,200 | 55,148,350 | 1,733,778,830 | 11.205 | 19,124,112,197 | 9.07% | 0.85% |

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Notes:

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

Assessed Value by Property Type



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

| Collection Year | District Rate | | | Overlapping Entities rates | | | | | Total | |
|-----------------|---------------|--------------|--------|----------------------------|--------------------|------------|--------------------|--------------------------------|-------|-------------------------|
| | General Fund | Debt Service | Total | Douglas County | DC Law Enforcement | DC Library | DC School District | Urban Drainage & Flood Control | | South Metro Fire Rescue |
| 2011 | 12.342 | 7.371 | 19.713 | 19.774 | 4.500 | 4.034 | 46.890 | 0.576 | | 95.487 |
| 2012 | 12.632 | 7.081 | 19.713 | 19.774 | 4.500 | 4.040 | 48.788 | 0.623 | | 97.438 |
| 2013 | 12.342 | 7.371 | 19.713 | 19.774 | 4.500 | 4.068 | 48.727 | 0.657 | | 97.439 |
| 2014 | 12.842 | 6.871 | 19.713 | 19.774 | 4.500 | 4.029 | 48.277 | 0.672 | | 96.965 |
| 2015 | 12.842 | 6.871 | 19.713 | 19.774 | 4.500 | 4.032 | 48.277 | 0.700 | | 96.996 |
| 2016 | 12.805 | 5.400 | 18.205 | 19.774 | 4.500 | 4.035 | 42.439 | 0.611 | | 89.564 |
| 2017 | 15.330 | 2.875 | 18.205 | 19.774 | 4.500 | 4.021 | 38.996 | 0.557 | | 86.053 |
| 2018 | 8.600 | 2.605 | 11.205 | 19.774 | 4.500 | 4.008 | 44.950 | 0.820 | 9.250 | 94.507 |
| 2019 | 8.905 | 2.300 | 11.205 | 19.774 | 4.500 | 4.023 | 43.839 | 0.997 | 9.250 | 93.588 |
| 2020 | 8.905 | 2.300 | 11.205 | 19.774 | 4.500 | 4.012 | 43.504 | 0.900 | 9.250 | 93.145 |

Notes:

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

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

| | | | 2020 | |
|--------------|---|------------------|-------------------------|-----------------------------------|
| Customer | | Type of Business | Assessed Value | % of Total Taxable Assessed Value |
| 1 | UNIVERSITY OF COLORADO HEALTH | Medical | \$ 47,170,750 | 2.7% |
| 2 | CHERRY HILLS COMMUNITY CHURCH | Religious | 22,844,450 | 1.3% |
| 3 | PLAZA DRIVE PROPERTIES LLC | Offices | 21,649,180 | 1.2% |
| 4 | CHILDRENS HOSPITAL COLORADO | Medical | 17,067,800 | 1.0% |
| 5 | DOUGLAS COUNTY SCHOOL DISTRICT RE-1 (Cresthill Lane) | Education | 16,119,930 | 0.9% |
| 6 | DOUGLAS COUNTY SCHOOL DISTRICT RE-1 (McArthur Ranch Rd) | Education | 16,088,950 | 0.9% |
| 7 | DOUGLAS COUNTY SCHOOL DISTRICT RE-1 (Mountain Vista Ridge) | Education | 15,410,450 | 0.9% |
| 8 | VALOR CHRISTIAN SCHOOLS | Education | 10,513,710 | 0.6% |
| 9 | HRTC I LLC (HIGHLANDS RANCH TOWN CENTER) | Retail | 9,728,240 | 0.6% |
| 10 | DOUGLAS COUNTY SCHOOL DISTRICT RE-1 (Wildcat Reserve Pkwy) | Education | 8,609,890 | 0.5% |
| | | | 185,203,350 | 10.7% |
| All others | | | 1,548,575,480 | 89.3% |
| TOTAL | | | \$ 1,733,778,830 | 100.00% |

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

| Collection Year | District Mill Levy | Assessed Valuation | Total Base Tax Levy | Collections within the Fiscal Year of the Levy | | Net Collections / (rebates) in Subsequent Years | Total Collections to Date | |
|-----------------|--------------------|--------------------|---------------------|--|-----------|---|---------------------------|-----------|
| | | | | Amount | % of Levy | | Amount | % of Levy |
| 2011 | 19.713 | 1,133,925,070 | 22,353,065 | 22,972,711 | 102.77% | (105,989) | 22,866,722 | 102.30% |
| 2012 | 19.713 | 1,147,734,760 | 22,625,295 | 21,968,366 | 97.10% | (49,352) | 21,919,014 | 96.88% |
| 2013 | 19.713 | 1,196,798,991 | 23,592,499 | 22,363,424 | 94.79% | (3,699) | 22,359,725 | 94.77% |
| 2014 | 19.713 | 1,204,988,310 | 23,753,935 | 22,894,320 | 96.38% | (32,017) | 22,862,303 | 96.25% |
| 2015 | 19.713 | 1,417,416,430 | 27,941,530 | 23,271,839 | 83.29% | (19,934) | 23,251,905 | 83.22% |
| 2016 | 18.205 | 1,425,805,350 | 25,956,786 | 25,240,106 | 97.24% | (17,037) | 25,223,070 | 97.17% |
| 2017 | 18.205 | 1,552,357,350 | 28,260,666 | 25,555,431 | 90.43% | (10,886) | 25,544,545 | 90.39% |
| 2018 | 18.205 | 1,559,885,430 | 28,397,714 | 27,737,316 | 97.67% | (8,878) | 27,737,316 | 97.67% |
| 2019 | 11.205 | 1,725,881,940 | 19,338,507 | 17,116,130 | 88.51% | (8,756) | 17,116,130 | 88.51% |
| 2020 | 11.205 | 1,733,778,830 | 19,426,992 | 18,993,720 | 97.77% | NA | 18,993,720 | 97.77% |

Notes:

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

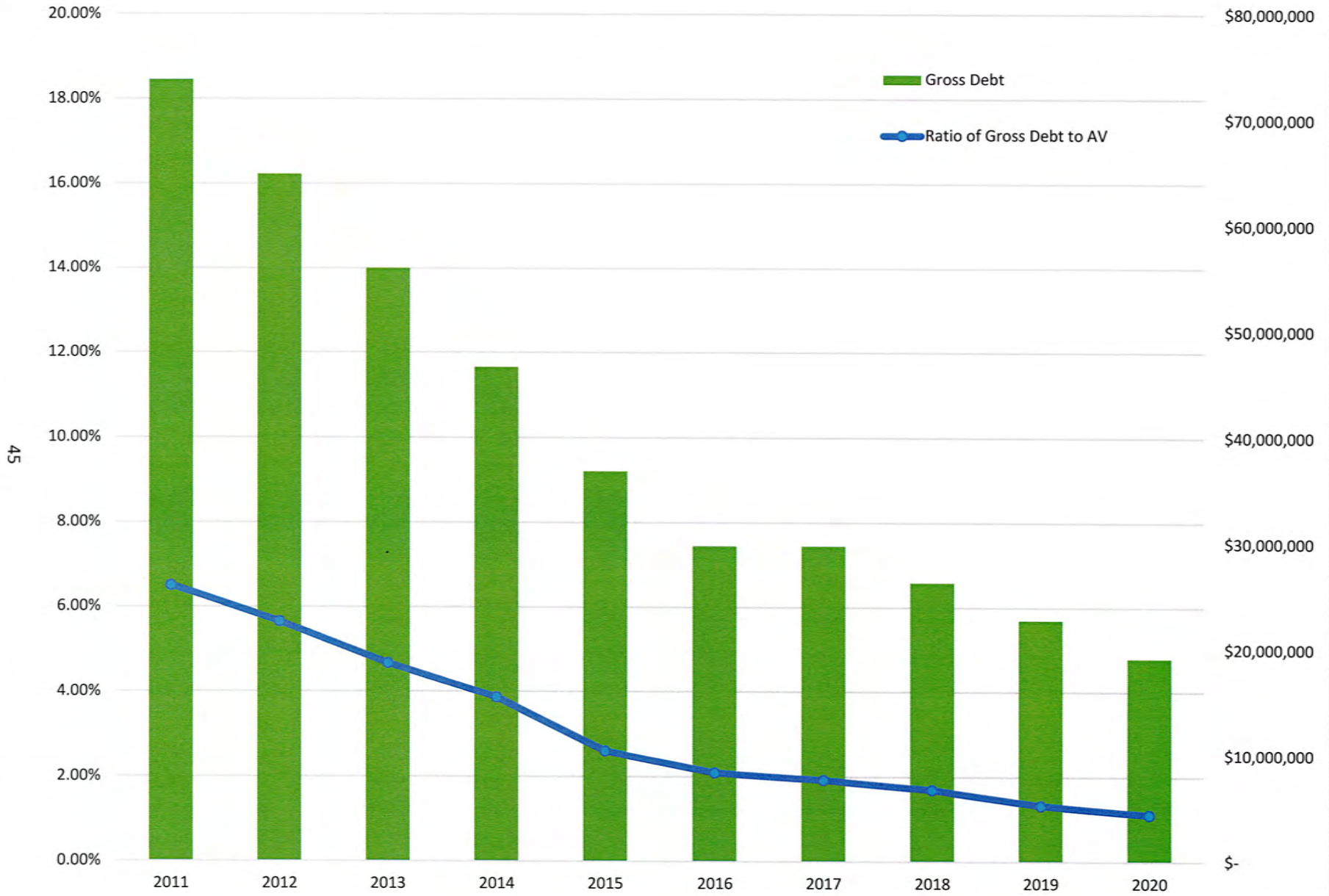
Highlands Ranch Metropolitan District
TABLE C-1
RATIO OF GENERAL BONDED DEBT
TO ASSESSED VALUE, ACTUAL VALUE AND DEBT PER CAPITA
Last Ten Years

| Collection year | | | | RATIO OF GROSS GO DEBT | | | RATIO OF NET GO DEBT | | |
|-----------------|----------------------------------|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|------------|----------------------|-----------------|------------|
| | Gross GO Bonded Debt Outstanding | Less Debt Service Fund Balance | Net GO Bonded Debt Outstanding | To Collection year Assessed Value | To collection year Actual Value | Per Capita | To Assessed Value | To Actual Value | Per Capita |
| 2011 | 73,830,000 | 7,977,615 | 65,852,385 | 6.51% | 0.67% | 789 | 5.81% | 0.59% | 704 |
| 2012 | 64,890,000 | 9,330,000 | 55,560,000 | 5.65% | 0.58% | 687 | 4.84% | 0.50% | 588 |
| 2013 | 55,965,000 | 9,330,000 | 46,635,000 | 4.68% | 0.48% | 583 | 3.90% | 0.40% | 486 |
| 2014 | 46,635,000 | 9,330,000 | 37,305,000 | 3.87% | 0.40% | 481 | 3.10% | 0.32% | 384 |
| 2015 | 36,865,000 | 8,252,200 | 28,612,800 | 2.60% | 0.26% | 376 | 2.02% | 0.20% | 292 |
| 2016 | 29,800,000 | 679,757 | 29,120,243 | 2.09% | 0.21% | 309 | 2.04% | 0.21% | 302 |
| 2017 | 29,800,000 | 4,322,381 | 25,477,619 | 1.92% | 0.18% | 306 | 1.64% | 0.15% | 262 |
| 2018 | 26,345,000 | 4,692,897 | 21,652,103 | 1.69% | 0.16% | 262 | 1.39% | 0.13% | 215 |
| 2019 | 22,805,000 | 3,540,000 | 19,265,000 | 1.32% | 0.12% | 218 | 1.12% | 0.10% | 184 |
| 2020 | 19,190,000 | 3,615,000 | 15,575,000 | 1.11% | 0.10% | 182 | 0.90% | 0.08% | 148 |

Notes:

- (1) Assessed value and Actual value information found on Table B-1. B-1 shows assessment year. The Collection year is one year later, therefore the value used to calculate % is the prior year Assessed and Actual value from Table B-1.
- (2) Population estimates found on Table D-1.
- (3) Colorado Statutes require that Special District debt cannot exceed 50% of Assessed Value unless certain other requirements are met and the debt is registered with the State Securities Division.
- (4) Colorado Statutes require the District to appropriate funds on annual basis for capital leases therefore capital leases are not considered long term debt and are not included in the ratios.

Ratio of Gross Debt to Assessed Value



Highlands Ranch Metropolitan District
TABLE C-2
COMPUTATION OF OVERLAPPING and DIRECT DEBT and RELATED DEBT RATIOS
December 31, 2020

| Name of Overlapping Entity | Total 2020 Assessed Valuation | Outstanding General Obligation Debt | Allocable to the District | |
|---|-------------------------------|-------------------------------------|---------------------------|--------------------------|
| | | | Percentage | Amount |
| Overlapping Debt | | | | |
| Douglas County School District | \$ 7,406,236,279 | \$ 455,050,000 | 23.41% | \$ 106,525,910 |
| Hunting Hill Metro District | 6,598,230 | 7,090,000 | 100.00% | 7,090,000 |
| Total Overlapping Debt | | | | 113,615,910 |
| Direct Debt - Highlands Ranch Metro District | | | | |
| General Obligation | 1,733,778,830 | 19,190,000 | 100.00% | 19,190,000 |
| Leases subject to annual appropriation | 1,733,778,830 | - | 100.00% | - |
| Total Direct Debt | | | | 19,190,000 |
| Total Overlapping and Direct Debt | | | | \$ 132,805,910 |
| ESTIMATED POPULATION | | | | 105,202 |
| ESTIMATED CURRENT MARKET VALUATION | | | | \$ 19,124,112,197 |
| RATIOS | | | | |
| Direct Debt to Assessed Valuation | | | | 1.11% |
| Direct Debt to Market Valuation | | | | 0.10% |
| Direct plus Overlapping Debt to Assessed Valuation | | | | 7.66% |
| Direct plus Overlapping Debt to Market Valuation | | | | 0.69% |
| Direct Debt Per Capita | | | \$ | 182 |
| Direct Plus Overlapping Debt Per Capita | | | \$ | 1,262 |

Notes:

- (1) The following entities also overlap the District but have no outstanding general obligation debt:
Regional Transportation District, Urban Drainage and Flood Control District, Douglas County and Douglas County Law Enforcement Authority
- (2) Source for the Douglas County School District RE-1 Debt is their CAFR dated June 30, 2020.
- (3) The percentage of each overlapping entity's outstanding debt attributable to each District is calculated by determining the proportionate amount of that entity that overlaps that District.
- (4) Based upon statutory "assessed" and "actual" valuation per Douglas County, Colorado Office of the Assessor as of November 2020, collected in 2021

Source: Douglas County Assessor

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

| Year | DOUGLAS COUNTY, COLORADO | | | | | | | | | |
|------|---------------------------------|-------------------------|-------------------------------------|--------------------------------------|-------------------|----------------------------------|--------------------|-----------------------------|---------------------------------------|--------------------------|
| | Total Highlands Ranch | Estimated Population | Personal Income (\$1,000) (3) | Personal Income Per Capita (3) | Median Age (3) | Average Household Size (3) | Occupancy % (3) | Public School Enrollment | School Enrollment to Population | Unemployment Rate (3) |
| 2011 | 93,525 | 292,548 | 16,587,329 | 56,700 | 37.4 | 2.80 | 96.20% | 61,465 | 21.0% | 6.4% |
| 2012 | 94,480 | 298,708 | 18,105,971 | 60,614 | 37.5 | 2.83 | 96.30% | 63,114 | 21.1% | 6.0% |
| 2013 | 95,980 | 306,234 | 19,140,066 | 62,501 | 37.2 | 2.86 | 96.00% | 64,600 | 21.1% | 5.3% |
| 2014 | 97,052 | 314,545 | 20,781,101 | 66,067 | 37.8 | 2.90 | 95.00% | 67,000 | 21.3% | 4.0% |
| 2015 | 98,013 | 322,025 | 21,793,881 | 67,678 | 38.4 | 2.71 | 97.60% | 66,702 | 20.7% | 2.7% |
| 2016 | 96,306 | 328,219 | 22,589,045 | 68,823 | 38.9 | 2.73 | 96.30% | 66,896 | 20.4% | 3.1% |
| 2017 | 97,415 | 335,816 | 23,635,776 | 70,383 | 38.9 | 2.81 | 95.70% | 67,740 | 20.2% | 2.7% |
| 2018 | 100,653 | 342,989 | 25,811,488 | 75,255 | 39.1 | 2.73 | 97.10% | 67,597 | 19.7% | 2.4% |
| 2019 | 104,465 | 351,154 | 27,549,902 | 78,455 | 39.3 | 2.75 | 96.40% | 67,591 | 19.2% | 2.4% |
| 2020 | 105,202 | 379,000 | 30,923,747 | 81,593 | 38.5 | 2.52 | 96.40% | 65,699 | 17.3% | 6.3% |

Notes:

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

Highlands Ranch Metropolitan District

TABLE D-2
Douglas County, Colorado
Principal Employers

| Employer | 2020 | | | 2011 | | |
|--|------|----------------|---------------|------|----------------|---------------|
| | Rank | Employee Count | % of Total | Rank | Employee Count | % of Total |
| Douglas County School District | 1 | 6,477 | 3.38% | 1 | 6,245 | 4.28% |
| Charles Schwab | 2 | 4,300 | 2.24% | | | |
| Echostar Communications | 3 | 2,700 | 1.41% | 2 | 1,840 | 1.26% |
| Centura Health | 4 | 1,510 | 0.79% | | | |
| Sky Ridge Medical Center | 5 | 1,370 | 0.72% | 7 | 1,030 | 0.71% |
| Douglas County Government | 6 | 1,332 | 0.70% | 6 | 1,061 | 0.73% |
| VISA Debit Processing Services | 7 | 990 | 0.52% | | | |
| Specialized Loan Servicing, LLC | 8 | 920 | 0.48% | | | |
| Jacob's Engineering (formerly CH2M Hill) | 9 | 880 | 0.46% | 3 | 1,600 | 1.10% |
| HIS Markit | 10 | 750 | 0.39% | | | |
| TW Telecom | | | | 4 | 1,100 | 0.75% |
| Western Union | | | | 5 | 1,090 | 0.75% |
| Liberty Media | | | | 9 | 730 | 0.50% |
| Parker Adventist Hospital | | | | 8 | 840 | 0.58% |
| Information Handling Systems | | | | 10 | 700 | 0.48% |
| Total for Principal Employers | | 21,229 | 11.08% | | 16,236 | 11.12% |
| Total Employment in Douglas County | | 191,586 | | | 145,954 | |

Source: Douglas County, Colorado 2021 Comprehensive Annual Financial Report

Highlands Ranch Metropolitan District

TABLE E-1

OPERATING INFORMATION

December 31, 2020

| EMPLOYEES AS OF DECEMBER 31, 2020 | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| General government | 16.90 | 10.40 | 9.80 | 9.80 | 9.80 | 9.80 | 10.80 | 10.80 | 11.30 | 9.80 |
| Public Works | 5.25 | 5.25 | 5.75 | 5.75 | 5.75 | 5.75 | 3.30 | 3.30 | 3.30 | 6.00 |
| Public Safety* | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Street lights | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Parks, open space & recreation services | 63.50 | 63.25 | 63.50 | 64.50 | 67.00 | 67.00 | 68.00 | 66.00 | 66.00 | 66.00 |
| Cultural | 1.00 | 2.25 | 3.25 | 4.45 | 4.45 | 4.45 | 4.45 | 4.45 | 4.40 | 4.40 |
| Water and wastewater operations* | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Temporary (FTE) | 9.85 | 10.62 | 9.92 | 10.30 | 10.75 | 10.75 | 11.05 | 11.05 | 11.05 | 11.05 |
| Total | 96.50 | 91.77 | 92.22 | 94.80 | 97.75 | 97.75 | 97.60 | 95.60 | 96.05 | 97.25 |
| CAPITAL ASSETS | | | | | | | | | | |
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| BUILDINGS | | | | | | | | | | |
| Fire Stations - directly owned | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | N/A | N/A |
| Fire Stations - owned in partnership | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | 1/3 | N/A | N/A |
| Parks and Open Space (Service Center) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Cultural (Highlands Ranch Mansion) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| PARKS (Acres) | | | | | | | | | | |
| Neighborhood | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 123 |
| Community | 91 | 94 | 94 | 94 | 94 | 94 | 94 | 97 | 97 | 150 |
| Playgrounds | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Parkway Landscape | 290 | 290 | 290 | 291 | 292 | 292 | 292 | 292 | 292 | 285 |
| Open space parcels | 2,156 | 2,156 | 2,255 | 2,266 | 2,266 | 2,266 | 2,577 | 2,577 | 2,577 | 2644 |
| TRAILS (miles) | | | | | | | | | | |
| Walking/biking (paved only) | 38 | 38 | 39 | 39 | 39 | 39 | 40 | 40 | 40 | 40 |
| OPERATING STATISTICS | | | | | | | | | | |
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
| Fire & Emergency Response | 3,871 | 3,879 | 3,896 | 4,028 | 4,260 | 4,883 | 5,070 | 4,930 | N/A | N/A |
| Field Permit Hours | 20,100 | 28,243 | 30,287 | 31,167 | 28,419 | 28,855 | 28,800 | 28,632 | 28,632 | 28,107 |
| Shelter Reservations | 935 | 938 | 1,069 | 1,134 | 1,082 | 1,050 | 1,000 | 1,005 | 1,180 | 657 |
| Recreation Program Participation | 16,791 | 14,888 | 15,201 | 16,167 | 13,880 | 12,700 | 12,416 | 11,496 | 10,625 | 4,036 |

*Services provided by contract

Source: District records