

## HIGHLANDS METROPOLITAN DISTRICT NO. 2

### 2019 ANNUAL REPORT

Pursuant to the Amended and Restated Service Plan of Highlands Metropolitan District No. 2 (the “District”), the District is required to submit an annual report to the City and County of Broomfield, Colorado (“Broomfield”) for the proceeding calendar year.

To the best of our actual knowledge, for the year ending December 31, 2019, the District makes the following report:

A. Boundary changes made or proposed.

There were no boundary changes made or proposed within the District in 2019.

B. Intergovernmental Agreements with other governmental bodies entered into or proposed.

The District did not enter into any new Intergovernmental Agreements in 2019.

C. Changes or proposed changes in the District’s policies.

There were no changes or proposed changes in the District’s policies in 2019.

D. Changes or proposed changes in the District's operations.

There were no changes or proposed changes in the District’s operations in 2019.

E. Any changes in the financial status of the District including revenue projections, or operating costs.

A copy of the District's 2020 budget is attached hereto as **Exhibit A**.

F. A summary of any litigation, which involves the District.

To our actual knowledge, based on review of the court records in Broomfield County, there is no litigation involving the District as of December 31, 2019.

G. Proposed plans for the year immediately following the year summarized in the annual report.

The developer has completed installation and initial acceptance into the warranty period for approximately 95% of the District’s improvements.

The remaining 5% will be the 2020 warranty work on the improvements as well as one quarter portion of two traffic signals per period that will be installed when needed.

H. Current assessed valuation in the District.

The 2019 assessed valuation is attached hereto as **Exhibit B**.

**EXHIBIT A**  
2020 Budget

**RESOLUTION  
ADOPTING BUDGET, IMPOSING MILL LEVY AND APPROPRIATING FUNDS**

**(2020)**

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The Board of Directors of Highlands Metropolitan District No. 2 (the “Board”), City and County of Broomfield, Colorado (the “District”) held a special meeting at 2154 E. Commons Avenue, Suite 2000, Centennial, Colorado, on Wednesday, October 9, 2019, at the hour of 11:30 A.M.

Prior to the meeting, each of the directors was notified of the date, time and place of the budget meeting and the purpose for which it was called and a notice of the meeting was posted or published in accordance with § 29-1-106, C.R.S.

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## NOTICE AS TO PROPOSED 2020 BUDGET

NOTICE OF PUBLIC HEARING ON THE PROPOSED 2020 BUDGET  
AND  
NOTICE OF PUBLIC HEARING ON THE AMENDED 2019 BUDGET

NOTICE IS HEREBY GIVEN that a proposed 2020 budget has been submitted to the Board of Directors (the "Board") of the HIGHLANDS METROPOLITAN DISTRICT NO. 2 (the "District"). A copy of the proposed budget is on file in the office of Simmons & Wheeler, P.C., 304 Inverness Way South, Suite 490, Englewood, Colorado, where the same is open for public inspection.

NOTICE IS FURTHER GIVEN that an amendment to the 2019 budget has been submitted to the District. A copy of the proposed amended budget is on file in the office of Simmons & Wheeler, P.C., 304 Inverness Way South, Suite 490, Englewood, Colorado, where the same is open for public inspection.

Such proposed budget and amended budget will be considered at a public hearing during a meeting of the District to be held at 2154 E. Commons Avenue, Suite 2000, Centennial, Colorado, on Wednesday, October 9, 2019 at 11:30 A.M. Any interested elector of the District may file any objections to the proposed budget or amended budget at any time prior to final adoption of the budget and amended budget by the governing body of the District.

BY ORDER OF THE BOARD OF DIRECTORS:  
HIGHLANDS METROPOLITAN DISTRICT NO. 2

/s/ WHITE BEAR ANKELE TANAKA & WALDRON  
Attorneys at Law  
Published: Broomfield Enterprise October 3, 2019--1640853

Prairie Mountain Media, LLC

PUBLISHER'S AFFIDAVIT

County of Broomfield  
State of Colorado

The undersigned, JD Geddes, being first duly sworn under oath, states and affirms as follows:

1. He/she is the legal Advertising Reviewer of Prairie Mountain Media LLC, publisher of the *Broomfield Enterprise*.
2. The *Broomfield Enterprise* is a newspaper of general circulation that has been published continuously and without interruption for at least fifty-two weeks in Broomfield County and meets the legal requisites for a legal newspaper under Colo. Rev. Stat. 24-70-103.
3. The notice that is attached hereto is a true copy, published in the *Broomfield Enterprise* in Broomfield County on the following date(s):

Oct 3, 2019

Signature

Subscribed and sworn to me before me this

3rd day of October, 2019.

Notary Public

(SEAL)

SHAYLA NAJERA  
NOTARY PUBLIC  
STATE OF COLORADO  
NOTARY ID 20174031965  
MY COMMISSION EXPIRES JULY 31, 2021

Account: 1051175  
Ad Number: 1640853  
Fee: \$42.68

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET AND APPROPRIATING SUMS OF MONEY TO EACH FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE DISTRICT FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2020 AND ENDING ON THE LAST DAY OF DECEMBER 2020.

WHEREAS, the Board has authorized its accountant to prepare and submit a proposed budget to the Board in accordance with Colorado law; and

WHEREAS, the proposed budget has been submitted to the Board for its review and consideration; and

WHEREAS, upon due and proper notice, provided in accordance with Colorado law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on October 9, 2019, interested electors were given the opportunity to file or present any objections to said proposed budget at any time prior to final adoption of the budget by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

Section 1.     Adoption of Budget. The budget attached hereto and incorporated herein is approved and adopted as the budget of the District for fiscal year 2020. In the event of recertification of values by the County Assessor's Office after the date of adoption hereof, staff is hereby directed to modify and/or adjust the budget and certification to reflect the recertification without the need for additional Board authorization. Any such modification to the budget or certification as contemplated by this Section 1 shall be deemed ratified by the Board.

Section 2.     Levy for General Operating Expenses. For the purpose of meeting all general operating expenses of the District during the 2020 budget year, there is hereby levied a tax of 5.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 3.     Levy for Debt Service Obligations. For the purposes of meeting all debt service obligations of the District during the 2020 budget year, there is hereby levied a tax of

54.869 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 4.     Levy for Contractual Obligation Expenses. For the purposes of meeting all contractual obligations of the District during the 2020 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 5.     Levy for Capital Project Expenses. For the purposes of meeting all capital project obligations of the District during the 2020 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 6.     Certification to County Commissioners. The Board directs its legal counsel, manager, accountant or other designee to certify to the Board of County Commissioners of Broomfield County, Colorado the mill levies for the District as set forth herein. Such certification shall be in compliance with the requirements of Colorado law.

Section 7.     Appropriations. The amounts set forth as expenditures in the budget attached hereto are hereby appropriated.

Section 8.     Filing of Budget and Budget Message. The Board hereby directs its legal counsel, manager or other designee to file a certified copy of the adopted budget resolution, the budget and budget message with the Division of Local Government by January 30 of the ensuing year.

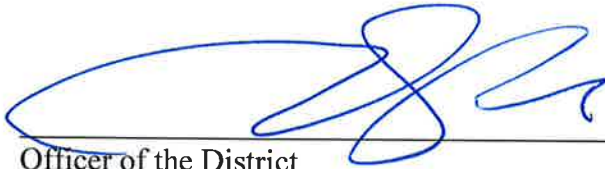
Section 9.     Budget Certification. The budget shall be certified by a member of the District, or a person appointed by the District, and made a part of the public records of the District.

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ADOPTED THIS 9<sup>TH</sup> DAY OF OCTOBER, 2019.

HIGHLANDS METROPOLITAN DISTRICT NO. 2

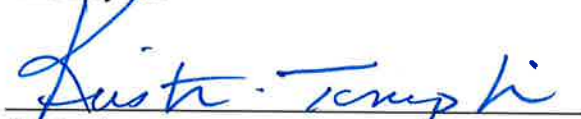
  
\_\_\_\_\_  
Officer of the District

ATTEST:

  
\_\_\_\_\_

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON  
Attorneys at Law

  
\_\_\_\_\_  
General Counsel to the District

STATE OF COLORADO  
COUNTY OF ARAPAHOE  
HIGHLANDS METROPOLITAN DISTRICT NO. 2

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted by a majority of the Board at a District meeting held on Wednesday, October 9, 2019, at 2154 E. Commons Avenue, Suite 2000, Centennial, Colorado, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 9<sup>th</sup> day of October, 2019.

  
\_\_\_\_\_

**EXHIBIT A**  
**BUDGET DOCUMENT**  
**BUDGET MESSAGE**

**HIGHLANDS METROPOLITAN DISTRICT NO. 2**  
**2020**  
**BUDGET MESSAGE**

Attached please find a copy of the adopted 2020 budget for the Highlands Metropolitan District No. 2.

The Highlands Metropolitan District No. 2 has adopted budgets for three funds, a General Fund to provide for the payment of general operating expenditures; a Capital Projects Fund to provide for the estimated infrastructure costs that are to be built for the benefit of the District; and a Debt Service Fund to provide for payments on the outstanding general obligation bonds.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary sources of revenue for the District in 2020 will be development fees, and TIF revenue. The District intends to impose a mill levy of 59.869 mills on all property within the District for 2020, of which 5.000 mills will be dedicated to the General Fund and the balance of 54.869 mills will be allocated to the Debt Service Fund.

**Highlands Metropolitan District No. 2**  
**Adopted Budget**  
**General Fund**  
**For the Year ended December 31, 2020**

	Actual 2018	Adopted Budget 2019	Actual 6/30/2019	Estimate 2019	Adopted Budget 2020
Beginning fund balance	\$ 15,888	9,728	\$ 18,267	\$ 18,267	23,494
Revenues:					
Property taxes	355	513	508	513	693
TIF	12,614	23,360	22,765	23,360	37,723
Specific ownership taxes	849	36	720	1,000	2,429
Developer advances	-	2,500	-	-	-
Interest income	3,550	-	3,237	3,500	-
Total revenues	17,368	26,409	27,230	28,373	40,845
Total funds available	33,256	36,137	45,497	46,640	64,339
Expenditures:					
Audit	4,500	4,500	-	4,500	4,500
Accounting	2,088	5,500	4,412	5,500	5,500
Legal	5,058	15,000	3,283	10,000	15,000
Insurance & bonds	3,263	3,600	3,138	3,138	3,400
Miscellaneous	75	1,500	-	-	1,500
Treasurer's fee	5	8	8	8	10
Contingency	-	5,126	-	-	33,532
Emergency reserve (3%)	-	903	-	-	897
Total expenditures	14,989	36,137	10,841	23,146	64,339
Ending fund balance	\$ 18,267	-	\$ 34,656	\$ 23,494	-
Current Year Total		4,774,479			7,683,182
Current year TIF		4,671,913			7,544,542
Assessed valuation		102,566			138,640
Mill Levy		5.000			5.000

**Highlands Metropolitan District No. 2**  
**Adopted Budget**  
**Capital Projects Fund**  
**For the Year ended December 31, 2020**

	Actual <u>2018</u>	Adopted Budget <u>2019</u>	Actual <u>6/30/2019</u>	Estimate <u>2019</u>	Adopted Budget <u>2020</u>
Beginning fund balance	\$ 2,362,649	789,149	\$ 806,030	\$ 806,030	757,136
Revenues:					
Developer advances	-	-	-	-	-
Interest income	36,766	10,000	9,593	15,000	10,000
Bond proceeds	-	-	-	-	-
Bond proceeds subordinate	-	-	-	-	-
Total revenues	<u>36,766</u>	<u>10,000</u>	<u>9,593</u>	<u>15,000</u>	<u>10,000</u>
Total funds available	<u>2,399,415</u>	<u>799,149</u>	<u>815,623</u>	<u>821,030</u>	<u>767,136</u>
Expenditures:					
Issuance costs	-	-	-	-	-
Accounting	3,882	-	-	-	-
Legal	7,588	-	-	-	-
Engineering	-	-	219	1,500	-
Capital expenditures	1,581,915	799,149	-	62,394	767,136
Capital improvements acquired	-	-	-	-	-
Repay developer advances	-	-	-	-	-
Repay developer advances - interest	-	-	-	-	-
Transfer to Debt Service	-	-	-	-	-
Total expenditures	<u>1,593,385</u>	<u>799,149</u>	<u>219</u>	<u>63,894</u>	<u>767,136</u>
Ending fund balance	<u>\$ 806,030</u>	<u>-</u>	<u>\$ 815,404</u>	<u>\$ 757,136</u>	<u>-</u>

**Highlands Metropolitan District No. 2**  
**Adopted Budget**  
**Debt Service Fund**  
**For the Year ended December 31, 2020**

	Actual <u>2018</u>	Adopted Budget <u>2019</u>	Actual <u>6/30/2019</u>	Estimate <u>2019</u>	Adopted Budget <u>2020</u>
Beginning fund balance	\$ 1,102,434	1,048,871	\$ 1,170,680	\$ 1,170,680	1,180,425
Revenues:					
Property taxes	3,709	5,505	5,451	5,505	7,607
TIF	131,649	250,746	244,365	250,746	413,961
Specific ownership taxes	8,865	15,375	7,728	15,400	25,294
Development fees	212,500	42,500	22,500	30,000	15,000
Interest Income	18,429	12,000	10,920	15,000	15,000
Bond proceeds subordinate	-	-	-	-	-
Total revenues	375,152	326,126	290,964	316,651	476,862
Total funds available	1,477,586	1,374,997	1,461,644	1,487,331	1,657,287
Expenditures:					
Trustee fee	5,500	6,000	5,500	5,500	6,000
Treasurer's fees	56	82	83	56	117
Bond interest	301,350	301,350	150,675	301,350	301,350
Miscellaneous	-	-	-	-	-
Total expenditures	306,906	307,432	156,258	306,906	307,467
Ending fund balance	<u>\$ 1,170,680</u>	<u>1,067,565</u>	<u>\$ 1,305,386</u>	<u>\$ 1,180,425</u>	<u>1,349,820</u>
Current Year Total		4,774,479			7,683,182
Current year TIF		4,671,913			7,544,542
Assessed valuation		<u>102,566</u>			<u>138,640</u>
Mill Levy		<u>53.671</u>			<u>54.869</u>

**EXHIBIT B**  
**2019 Assessed Valuation**

## AMENDED CERTIFICATION OF VALUES

Name of Jurisdiction: HIGHLANDS METRO DIST 2 GEN

New District:

### USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY

In accordance with 39-5-121(2)(a) and 39-5-128(1), C.R.S. The total Assessed Valuations for taxable year 2019  
In **Broomfield County** On 12/03/2019 Are:

Previous Year's Net Total Assessed Valuation:	\$102,566
Current Year's Gross Total Assessed Valuation:	\$7,683,182
(-) Less TIF district increment, if any:	\$7,544,542
Current Year's Net Total Assessed Valuation:	\$138,640
New Construction*:	\$2,556,300
Increased Production of Producing Mines**:	\$0
ANNEXATIONS/INCLUSIONS:	\$0
Previously Exempt Federal Property**:	\$0
New Primary Oil or Gas production from any Oil and Gas leasehold or land (29-1-301(1)(b) C.R.S.)***:	\$0
Taxes Received last year on omitted property as of August 1 (29-1-301(1)(a) C.R.S.) Includes all revenue collected on valuation not previously certified.	\$0.00
Taxes Abated or Refunded as of August 1 (39-10-114(1)(a)(I)(B) C.R.S.):	\$13.25

This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec. 20(8)(b), Colo. Constitution

\* New Construction is defined as: Taxable real property structures and the personal property connected with the structure.

\*\* Jurisdiction must submit a certification to the Division of Local Government in order for a value to be accrued (DLG52 & 52A)

\*\*\* Jurisdiction must submit an application to the Division of Local Government in order for a value to be accrued. (DLG 52B)

### USE FOR 'TABOR' LOCAL GROWTH CALCULATIONS ONLY

In accordance with the Art. X, Sec. 20, Colorado Constitution and 39-5-121(2)(b), C.R.S. The Actual Valuations for the taxable year 2019  
In **Broomfield County** On 12/03/2019 Are:

Current Year's Total Actual Value of All Real Property*:	\$95,332,030
ADDITIONS TO TAXABLE REAL PROPERTY:	
Construction of taxable real property improvements**:	\$35,750,060
ANNEXATIONS/INCLUSIONS:	\$0
Increased Mining Production***:	\$0
Previously exempt property:	\$0
Oil or Gas production from a new well:	\$0
Taxable real property omitted from the previous year's tax warrant. (Only the most current year value can be reported):	\$0
DELETIONS FROM TAXABLE REAL PROPERTY IMPROVEMENTS:	\$0
Destruction of taxable property improvements.	
Disconnections/Exclusions:	\$0
Previously Taxable Property:	\$0

\* This includes the actual value of all taxable real property plus the actual value of religious, private schools, and charitable real property.

\*\* Construction is defined as newly constructed taxable real property structures.

\*\*\* Includes production from a new mine and increase in production of a producing mine.

NOTE: All levies must be certified to the Board of County Commissioners no later than December 15, 2019



## AMENDED CERTIFICATION OF VALUES

Name of Jurisdiction: HIGHLANDS METRO DIST 2 BOND

New District:

### USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY

In accordance with 39-5-121(2)(a) and 39-5-128(1), C.R.S. The total Assessed Valuations for taxable year 2019  
In **Broomfield County** On 12/03/2019 Are:

Previous Year's Net Total Assessed Valuation:	\$102,566
Current Year's Gross Total Assessed Valuation:	\$7,683,182
(-) Less TIF district increment, if any:	\$7,544,542
Current Year's Net Total Assessed Valuation:	\$138,640
New Construction*:	\$2,556,300
Increased Production of Producing Mines**:	\$0
ANNEXATIONS/INCLUSIONS:	\$0
Previously Exempt Federal Property**:	\$0
New Primary Oil or Gas production from any Oil and Gas leasehold or land (29-1-301(1)(b) C.R.S.)***:	\$0
Taxes Received last year on omitted property as of August 1 (29-1-301(1)(a) C.R.S.) Includes all revenue collected on valuation not previously certified.	\$0.00
Taxes Abated or Refunded as of August 1 (39-10-114(1)(a)(I)(B) C.R.S.):	\$142.23

This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec. 20(8)(b), Colo. Constitution

\* New Construction is defined as: Taxable real property structures and the personal property connected with the structure.

\*\* Jurisdiction must submit a certification to the Division of Local Government in order for a value to be accrued (DLG52 & 52A)

\*\*\* Jurisdiction must submit an application to the Division of Local Government in order for a value to be accrued. (DLG 52B)

### USE FOR 'TABOR' LOCAL GROWTH CALCULATIONS ONLY

In accordance with the Art. X, Sec. 20, Colorado Constitution and 39-5-121(2)(b), C.R.S. The Actual Valuations for the taxable year 2019  
In **Broomfield County** On 12/03/2019 Are:

Current Year's Total Actual Value of All Real Property*:	\$95,332,030
ADDITIONS TO TAXABLE REAL PROPERTY:	
Construction of taxable real property improvements**:	\$35,750,060
ANNEXATIONS/INCLUSIONS:	\$0
Increased Mining Production***:	\$0
Previously exempt property:	\$0
Oil or Gas production from a new well:	\$0
Taxable real property omitted from the previous year's tax warrant. (Only the most current year value can be reported):	\$0
DELETIONS FROM TAXABLE REAL PROPERTY IMPROVEMENTS:	\$0
Destruction of taxable property improvements.	
Disconnections/Exclusions:	\$0
Previously Taxable Property:	\$0

\* This includes the actual value of all taxable real property plus the actual value of religious, private schools, and charitable real property.

\*\* Construction is defined as newly constructed taxable real property structures.

\*\*\* Includes production from a new mine and increase in production of a producing mine.

NOTE: All levies must be certified to the Board of County Commissioners no later than December 15, 2019