

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



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## **Independent Auditor's Report**

Board of Directors  
Heritage Greens Metropolitan District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Heritage Greens Metropolitan District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

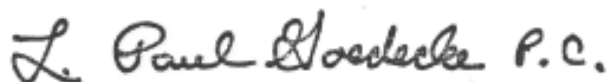
## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Heritage Greens Metropolitan District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



L. Paul Goedecke, P.C.  
June 7, 2017

## **BASIC FINANCIAL STATEMENTS**

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 142,273
Cash and investments - Restricted	284,970
Prepaid expenses	9,358
Receivable - County Treasurer	2,856
Property taxes receivable	509,371
Capital assets, net	<u>2,516,654</u>
Total assets	<u>3,465,482</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	<u>13,468</u>
Total deferred outflows of resources	<u>13,468</u>
<b>LIABILITIES</b>	
Accounts payable	5,486
Accrued bond interest payable	10,205
Noncurrent liabilities	
Due within one year	160,000
Due in more than one year	<u>2,841,131</u>
Total liabilities	<u>3,016,822</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>509,371</u>
Total deferred inflows of resources	<u>509,371</u>
<b>NET POSITION</b>	
Net investment in capital assets	(343,902)
Restricted for:	
Emergency reserves	7,900
Debt service	139,758
Unrestricted	<u>149,001</u>
Total net position	<u><u>\$ (47,243)</u></u>

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

**HERITAGE GREENS METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 455,170	\$ -	\$ -	\$ -	\$ (455,170)
Interest and related costs of long-term debt	127,655	-	-	-	(127,655)
	<u>\$ 582,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(582,825)</u>
General revenues:					
Property taxes					509,061
Specific ownership taxes					39,111
Net investment income					3,602
Other income					2,095
Total general revenues					<u>553,869</u>
Change in net position					(28,956)
Net position - Beginning					(18,287)
Net position - Ending					<u>\$ (47,243)</u>

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

**HERITAGE GREENS METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 142,273	\$ -	\$ -	\$ 142,273
Cash and investments - Restricted	7,900	149,963	127,107	284,970
Prepaid expenses	9,358	-	-	9,358
Receivable - County Treasurer	2,856	-	-	2,856
Property taxes receivable	219,981	289,390	-	509,371
<b>TOTAL ASSETS</b>	<b>\$ 382,368</b>	<b>\$ 439,353</b>	<b>\$ 127,107</b>	<b>\$ 948,828</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 5,486	\$ -	\$ -	\$ 5,486
Total liabilities	5,486	-	-	5,486
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenue	219,981	289,390	-	509,371
Total deferred inflows of resources	219,981	289,390	-	509,371
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenses	9,358	-	-	9,358
Restricted for:				
Emergency reserves	7,900	-	-	7,900
Debt service	-	149,963	-	149,963
Capital projects	-	-	127,107	127,107
Unassigned:	139,643	-	-	139,643
Total fund balances	156,901	149,963	127,107	433,971
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 382,368</b>	<b>\$ 439,353</b>	<b>\$ 127,107</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.		2,516,654
Capital assets, net		
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.		
Deferred charge on refunding, net		13,468
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.		
Bonds payable		(3,001,131)
Accrued bond interest payable		(10,205)
Net position of governmental activities		<b>\$ (47,243)</b>

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

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 219,668	\$ 289,393	\$ -	\$ 509,061
Specific ownership taxes	39,111	-	-	39,111
Net investment income	1,430	1,469	703	3,602
Other income	2,095	-	-	2,095
Total revenues	<u>262,304</u>	<u>290,862</u>	<u>703</u>	<u>553,869</u>
<b>EXPENDITURES</b>				
Current				
Accounting	15,329	-	-	15,329
Audit	3,500	-	-	3,500
Legal	11,931	-	-	11,931
Insurance and bonds	8,709	-	-	8,709
Directors' fees	1,500	-	-	1,500
County Treasurer's fees	3,296	4,345	-	7,641
Dues and subscriptions	546	-	-	546
Repairs and maintenance	87,417	-	-	87,417
HOA maintenance agreement	150,000	-	-	150,000
Debt service				
Bond principal - 2010	-	70,000	-	70,000
Bond principal - 2013	-	85,000	-	85,000
Bond interest - 2010	-	104,330	-	104,330
Bond interest - 2013	-	22,950	-	22,950
Paying agent fees	-	500	-	500
Total expenditures	<u>282,228</u>	<u>287,125</u>	<u>-</u>	<u>569,353</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(19,924)	3,737	703	(15,484)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>176,825</u>	<u>146,226</u>	<u>126,404</u>	<u>449,455</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 156,901</u>	<u>\$ 149,963</u>	<u>\$ 127,107</u>	<u>\$ 433,971</u>

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

**HERITAGE GREENS METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$ (15,484)
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay and depreciation expense in the current period are as follows:

Capital outlay	-
Depreciation expense	(172,942)

The issuance of long-term debt (e.g., bonds) 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:

Bond principal payment	155,000
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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.

Amortization of bond premium	8,097
Accrued interest on bonds - Change in liability	402
Amortization of loss on refunding	(4,029)
	(4,029)

Changes in net position of governmental activities	\$ (28,956)
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HERITAGE GREENS METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 220,000	\$ 219,668	\$ (332)
Specific ownership taxes	35,200	39,111	3,911
Other income	-	2,095	2,095
Net investment income	400	1,430	1,030
Total revenues	<u>255,600</u>	<u>262,304</u>	<u>6,704</u>
<b>EXPENDITURES</b>			
Accounting	16,000	15,329	671
Audit	3,700	3,500	200
Election costs	2,000	-	2,000
Legal	12,000	11,931	69
Insurance and bonds	8,500	8,709	(209)
Directors' fees	1,600	1,500	100
County Treasurer's fees	3,300	3,296	4
Dues and subscriptions	500	546	(46)
Repairs and maintenance	120,000	87,417	32,583
HOA maintenance agreement	150,000	150,000	-
Miscellaneous	1,000	-	1,000
Contingency	3,400	-	3,400
Total expenditures	<u>322,000</u>	<u>282,228</u>	<u>39,772</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(66,400)	(19,924)	46,476
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>167,916</u>	<u>176,825</u>	<u>8,909</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 101,516</u>	<u>\$ 156,901</u>	<u>\$ 55,385</u>

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

**HERITAGE GREENS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Heritage Greens Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Arapahoe County, Colorado, in 1979, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City of Centennial. The District was established to provide financing for construction of certain street improvements. During 2002, the District amended and restated its service plan to allow the District to provide for the financing, acquisition, design, construction, repair, replacement, removal, substitution, expansion, renewal, operation and maintenance of landscaping and streetscape features, the Heritage Greens recreation center and traffic safety facilities.

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

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

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

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

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

The District reports the following major governmental funds:

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

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

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Pooled Cash and Investments**

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

**Property Taxes**

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

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

**Capital Assets**

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**HERITAGE GREENS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Walls and fences	15 - 20 years
Building	30 years
Pool	20 years
Recreation equipment and improvements	5 - 25 years

**Amortization - Original Issue Premium**

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt issued and premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Equity**

**Net Position**

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

**Fund Balance**

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 142,273
Cash and investments - Restricted	<u>284,970</u>
Total cash and investments	<u>\$ 427,243</u>

Cash and investments as of December 31, 2016, consist of the following:

Investments	\$ <u>427,243</u>
Total cash and investments	<u>\$ 427,243</u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2016, the District had no cash deposits.

**Investments**

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

**HERITAGE GREENS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements for investments that are in the possession of another party.

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

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

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

As of December 31, 2016, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Amortized Cost</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 427,243</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's and is valued at amortized costs. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72 *Fair Value Measurement and Application*.

**HERITAGE GREENS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - CAPITAL ASSETS**

The following is an analysis of changes in capital assets for the year ended December 31, 2016:

	<b>Balance at December 31, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2016</b>
<b><u>Governmental Activities:</u></b>				
Capital assets, being depreciated:				
Walls and fences	\$ 1,347,648	\$ -	\$ -	\$ 1,347,648
Building	1,505,774	-	-	1,505,774
Pool	583,989	-	-	583,989
Recreation equipment and improvements	447,249	-	-	447,249
Total capital assets being depreciated	<u>3,884,660</u>	<u>-</u>	<u>-</u>	<u>3,884,660</u>
Less accumulated depreciation for:				
Walls and fences	(721,773)	(68,725)	-	(790,498)
Building	(225,867)	(50,193)	-	(276,060)
Pool	(131,397)	(29,199)	-	(160,596)
Recreation equipment and improvements	(116,027)	(24,825)	-	(140,852)
Total accumulated depreciation	<u>(1,195,064)</u>	<u>(172,942)</u>	<u>-</u>	<u>(1,368,006)</u>
Governmental activities capital assets, net	<u>\$ 2,689,596</u>	<u>\$ (172,942)</u>	<u>\$ -</u>	<u>\$ 2,516,654</u>

Depreciation expense for the year ended December 31, 2016, of \$172,942 was charged to general government function/program.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's outstanding long-term obligations for the year ended December 31, 2016:

	<b>Balance December 31, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2016</b>	<b>Due Within One Year</b>
General Obligation Bonds					
Series 2010	\$ 2,360,000	\$ -	\$ 70,000	\$ 2,290,000	\$ 70,000
Series 2013	765,000	-	85,000	680,000	90,000
Subtotal	<u>3,125,000</u>	<u>-</u>	<u>155,000</u>	<u>2,970,000</u>	<u>160,000</u>
Bond premium					
Series 2010	7,059	-	689	6,370	-
Series 2013	32,169	-	7,408	24,761	-
Subtotal	<u>39,228</u>	<u>-</u>	<u>8,097</u>	<u>31,131</u>	<u>-</u>
	<u>\$ 3,164,228</u>	<u>\$ -</u>	<u>\$ 163,097</u>	<u>\$ 3,001,131</u>	<u>\$ 160,000</u>

**HERITAGE GREENS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The details of the District's long-term obligations are as follows:

**General Obligation Bonds**

**Series 2010, \$2,750,000 General Obligation Bonds, Dated April 27, 2010** (the Series 2010 Bonds). In 2010, the District issued \$2,750,000 in General Obligation Bonds for the purpose of designing, acquiring, constructing, relocating, installing, completing and otherwise providing parks and recreation facilities and improvements, including, but not limited to, the replacement of the community recreation center. The Series 2010 Bonds consist of \$770,000 in serial bonds payable through December 1, 2020, and \$1,980,000 in term bonds due December 1, 2030, with mandatory sinking fund payments starting on December 1, 2021. Interest rates vary from 2.50% to 4.50%. Interest is payable semiannually on June 1 and December 1. The Series 2010 Bonds maturing on or before December 1, 2017, are not subject to redemption prior to maturity. The Series 2010 Bonds maturing on or after December 1, 2018, are subject to redemption prior to maturity, at the option of the District, on December 1, 2017, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

**Series 2013, \$975,000 General Obligation Refunding Bonds, Dated April 15, 2013** (the Series 2013 Bonds). In 2013, the District issued \$975,000 in General Obligation Bonds for the purpose of refunding all of the District's outstanding General Obligation Bonds, Series 2003, and pay the cost of issuing the Series 2013 Bonds. The Series 2013 Bonds consist of \$210,000 in serial bonds payable through December 1, 2015, and \$765,000 in term bonds due December 1, 2023, with mandatory sinking fund payments starting on December 1, 2017. Interest rates vary from 2.00% to 3.00%. Interest is payable semiannually on June 1 and December 1. The Series 2013 Bonds are not subject to redemption prior to maturity.

The District's Series 2010 and Series 2013 long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 160,000	\$ 122,455	\$ 282,455
2018	170,000	116,430	286,430
2019	175,000	110,017	285,017
2020	180,000	104,288	284,288
2021	190,000	98,250	288,250
2022-2026	1,050,000	376,725	1,426,725
2027-2030	1,045,000	120,150	1,165,150
	<u>\$ 2,970,000</u>	<u>\$ 1,048,315</u>	<u>\$ 4,018,315</u>

**HERITAGE GREENS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization**

On November 5, 2002, the District's electors authorized the incurrence of general obligation bonds totaling \$1,500,000 in principal at a rate not to exceed 6.5% and an increase in property taxes up to \$135,000 annually to pay such debt. On November 3, 2009, the District's electors authorized the incurrence of general obligation bonds totaling \$2,750,000 in principal at a rate not to exceed 8.5% and an increase in property taxes up to \$325,000 annually to pay such debt.

As of December 31, 2016, the District has no remaining authorized but unissued indebtedness.

	<u>Amount Authorized on 11/5/2002</u>	<u>Amount Authorized on 11/3/2009</u>	<u>Amount Used Series 2003 Bonds</u>	<u>Amount Used Series 2010 Bonds</u>	<u>Authorized Amount Remaining</u>
Perimeter walls and fences	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ -
Recreation facilities and improvements	-	2,750,000	-	2,750,000	-
Total	<u>\$ 1,500,000</u>	<u>\$ 2,750,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,750,000</u>	<u>\$ -</u>

The District's service plan does not provide any additional debt limitations other than the voter authorizations.

**NOTE 6 - NET POSITION**

The District has net position consisting of three components - net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets, calculated as follows:

	<u>Governmental Activities</u>
Invested in capital assets, net of related debt:	
Capital assets, net	\$ 2,516,654
Unspent bond proceeds	127,107
Loss on bond refunding, net	13,468
Bond premium, net	(31,131)
Bonds outstanding	(2,970,000)
Total net investment in capital assets	<u>\$ (343,902)</u>

**HERITAGE GREENS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 6 - NET POSITION**

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016, as follows:

	<b>Governmental Activities</b>
Restricted net position:	
Emergencies	\$ 7,900
Debt service	139,758
Total restricted net position	\$ 147,658

The District's unrestricted net position as of December 31, 2016, totaled \$149,001.

**NOTE 7 - RECREATIONAL FACILITIES MANAGEMENT AGREEMENT**

As of April 1, 2010, the District entered into an agreement with the Heritage Greens Association (Association) to operate and manage the recreational facilities in the Heritage Greens planned community. The initial term of the agreement was from April 1, 2010, to December 31, 2010, and automatically renews for a twelve month period following the initial expiration. Either party may terminate the agreement with cause upon 60 days written notice. Without written notice, the agreement will automatically renew throughout the term of the District's 20 year easement on the property. The Association will be designated the managing agent for the property, including the swimming pool facility, community center, tennis courts, recreational facilities, and parking facilities constructed by the District.

The District agreed to initially pay the Association base compensation of \$150,000 per year, commencing in 2010, with payments due as follows: April 15 – \$50,000; May 30 – \$50,000; July 15 – \$50,000. The fee may be amended at any time by written agreement between the Association and the District. In addition to the base compensation, the Association will collect and retain all usage fees. The District and Association, as part of the annual Association budget process, will set user fees for the Amenities. Such fees may differentiate between in District and out of District users. All payment of use fees will be made to the Association. The Association will account for the receipt of all use fees and other fees and will prepare quarterly reports for the District's designated accountant reflecting the fee revenue.

**NOTE 8 - RISK MANAGEMENT**

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

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 - RISK MANAGEMENT (CONTINUED)**

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 5, 2002, a majority of the District's electors authorized the District to increase property taxes by \$60,100 for collection in 2003 and the amount resulting from the imposition of 2 mills annually thereafter, to pay costs of the District's operations and maintenance functions.

On November 3, 2009, a majority of the District's electors authorized the District to increase property taxes by \$150,000 for collection in 2010, and each year thereafter, to pay for the District's operations and maintenance functions. The authorization also allows the retention of all investment earnings, without limiting the amount of other revenues that may be collected, retained and spent by the District.

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 10 - SUBSEQUENT EVENT**

On May 11, 2017, the District entered into a loan agreement with JPMorgan Chase Bank in the amount of \$2,355,000. The loan bears interest at 2.6%, with interest payable on June 1 and December 1 of each year. Principal is payable in varying amounts on December 1 of each year through 2030. Proceeds of the loan were used to advance refund \$2,145,000 of the Series 2010 General Obligation Bonds.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION**

**HERITAGE GREENS METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 290,000	\$ 289,393	\$ (607)
Net investment income	200	1,469	1,269
Total revenues	<u>290,200</u>	<u>290,862</u>	<u>662</u>
<b>EXPENDITURES</b>			
County Treasurer's fees	4,350	4,345	5
Bond principal - 2010	70,000	70,000	-
Bond principal - 2013	85,000	85,000	-
Bond interest - 2010	104,330	104,330	-
Bond interest - 2013	22,950	22,950	-
Paying agent fees	500	500	-
Contingency	870	-	870
Total expenditures	<u>288,000</u>	<u>287,125</u>	<u>875</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,200	3,737	1,537
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>145,701</u>	<u>146,226</u>	<u>525</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 147,901</u></u>	<u><u>\$ 149,963</u></u>	<u><u>\$ 2,062</u></u>

**HERITAGE GREENS METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Net investment income	\$ 180	\$ 703	\$ 523
Total revenues	<u>180</u>	<u>703</u>	<u>523</u>
<b>EXPENDITURES</b>			
Repairs and maintenance	<u>126,539</u>	<u>-</u>	<u>126,539</u>
Total expenditures	<u>126,539</u>	<u>-</u>	<u>126,539</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(126,359)	703	127,062
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>126,359</u>	<u>126,404</u>	<u>45</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 127,107</u>	<u>\$ 127,107</u>

**HERITAGE GREENS METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service Fund</u>		<u>Levied</u>	<u>Collected</u>	
2011	\$ 33,714,590	6.609	9.120	15.729 (a)	\$ 530,297	\$ 519,375	97.94%
2012	\$ 31,760,090	6.862	9.647	16.509 (b)	\$ 524,327	\$ 510,562	97.37%
2013	\$ 31,016,460	6.835	9.675	16.510	\$ 512,082	\$ 511,773	99.94%
2014	\$ 31,263,590	6.975	9.932	16.907 (c)	\$ 528,574	\$ 521,535	98.67%
2015	\$ 30,853,546	6.959	9.812	16.771 (d)	\$ 517,445	\$ 517,354	98.67%
2016	\$ 35,061,626	6.279	8.272	14.551	\$ 510,182	\$ 509,061	99.78%
Estimated for the year ending December 31, 2017	\$ 34,984,322	6.288	8.272	14.560	\$ 509,371		

- (a) Includes 0.380 mills for refunds and abatements
- (b) Includes 0.337 mills for refunds and abatements
- (c) Includes 0.435 mills for refunds and abatements
- (d) Includes 0.234 mills for refunds and abatements

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

**HERITAGE GREENS METROPOLITAN DISTRICT  
SCHEDULE OF ESTIMATED DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2016**

**\$2,750,000 General Obligation  
Bonds, Series 2010  
Interest Rates Varying  
from 2.50% to 4.50%  
Payable June 1 and December 1  
Principal Due December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2017	\$ 70,000	\$ 102,055	\$ 172,055
2018	75,000	98,730	173,730
2019	80,000	95,167	175,167
2020	85,000	92,288	177,288
2021	90,000	89,100	179,100
2022	90,000	85,050	175,050
2023	95,000	81,000	176,000
2024	210,000	76,725	286,725
2025	220,000	67,275	287,275
2026	230,000	57,375	287,375
2027	245,000	47,025	292,025
2028	255,000	36,000	291,000
2029	265,000	24,525	289,525
2030	280,000	12,600	292,600
	<u>\$ 2,290,000</u>	<u>\$ 964,915</u>	<u>\$ 3,254,915</u>

**HERITAGE GREENS METROPOLITAN DISTRICT**  
**SCHEDULE OF ESTIMATED DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2016**  
(Continued)

**\$975,000 General Obligation**  
**Refunding Bonds**  
**Series 2013**

**Interest Rates of 2.000% to 3.000%**

**Principal Due on December 1**

**Interest Due on June 1 and December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2017	\$ 90,000	\$ 20,400	\$ 110,400
2018	95,000	17,700	112,700
2019	95,000	14,850	109,850
2020	95,000	12,000	107,000
2021	100,000	9,150	109,150
2022	100,000	6,150	106,150
2023	105,000	3,150	108,150
	<u>\$ 680,000</u>	<u>\$ 83,400</u>	<u>\$ 763,400</u>