

Heather Ridge Metropolitan District No. 1

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Heather Ridge Metropolitan District
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Heather Ridge Metropolitan District (the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Heather Ridge Metropolitan District, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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 statement in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic 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 basic financial statements. The supplementary 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lerner Higgs & Associates, PC

Lakewood, Colorado
September 23, 2017

Heather Ridge Metropolitan District No. 1

STATEMENT OF NET POSITION

December 31, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 104,969	\$ 406,682	\$ 511,651
Cash and investments restricted	82,959	1,206,161	1,289,120
Taxes receivable - County Treasurer	3,574	-	3,574
Taxes receivable	637,729	-	637,729
Inventory	-	16,289	16,289
Accounts receivable - customer	10,000	21,604	31,604
Prepaid expenses	8,941	7,188	16,129
Prepaid bond insurance - net	38,023	-	38,023
CAPITAL ASSETS			
Capital assets, net of accumulated depreciation	-	4,107,150	4,107,150
Total Assets	886,195	5,765,074	6,651,269
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	12,729	133,386	146,115
Accrued bond interest payable	17,988	-	17,988
NONCURRENT LIABILITIES			
Bonds payable, due within one year	185,000	-	185,000
Bonds payable, due in more than one year	6,394,228	-	6,394,228
Total Liabilities	6,609,945	133,386	6,743,331
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	637,729	-	637,729
Total deferred inflows of resources	637,729	-	637,729
NET POSITION			
Net invested in capital assets	-	4,107,150	4,107,150
Restricted for:			
Emergency reserve	5,521	-	5,521
Debt service	62,057	-	62,057
Capital projects	-	(686,386)	(686,386)
Unrestricted:	(6,429,057)	2,210,924	(4,218,133)
Total Net Position (Deficit)	\$ (6,361,479)	\$ 5,631,688	\$ (729,791)

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

Heather Ridge Metropolitan District No. 1

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Operating	Capital	Governmental	Business-type	
		Charges for	Grants and	Activities	Activities	Total
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>		
Primary Government:						
Governmental Activities:						
General government	\$ 300,890	\$ 86,911	\$ -	\$ -	\$ (213,979)	\$ -
Interest and related costs on long-term debt	<u>382,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(382,051)</u>	<u>-</u>
Total Governmental Activities	<u>682,941</u>	<u>86,911</u>	<u>-</u>	<u>-</u>	<u>(596,030)</u>	<u>-</u>
Business-Type Activities:						
Golf - operations	<u>1,083,081</u>	<u>789,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(293,899)</u>
Total Business-Type Activities	<u>1,083,081</u>	<u>789,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(293,899)</u>
Total	<u>\$1,766,022</u>	<u>\$ 876,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(596,030)</u>	<u>(293,899)</u>
General Revenues:						
Property taxes					641,294	-
Specific ownership taxes					48,942	-
Transfer in (out)					(1,814,835)	1,814,835
Interest income					<u>5,944</u>	<u>6,804</u>
Total General Revenues					<u>(1,118,655)</u>	<u>1,821,639</u>
Change in Net Position					(1,714,685)	1,527,740
Net Position (Deficit) - Beginning					<u>(4,646,794)</u>	<u>4,103,948</u>
Net Position (Deficit) - Ending					<u>\$(6,361,479)</u>	<u>\$ 5,631,688</u>
					<u>\$ (729,791)</u>	

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

Heather Ridge Metropolitan District No. 1

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 104,969	\$ -	\$ 104,969
Cash and investments - restricted	5,521	77,438	82,959
Property taxes receivable - current	967	2,607	3,574
Property taxes receivable	172,562	465,167	637,729
Other receivable	10,000	-	10,000
Prepaid expenses	8,941	-	8,941
	<u>8,941</u>	<u>-</u>	<u>8,941</u>
Total Assets	<u>\$ 302,960</u>	<u>\$ 545,212</u>	<u>\$ 848,172</u>
LIABILITIES			
Accounts payable	\$ 12,729	\$ -	\$ 12,729
	<u>12,729</u>	<u>-</u>	<u>12,729</u>
Total Liabilities	<u>12,729</u>	<u>-</u>	<u>12,729</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	<u>172,562</u>	<u>465,167</u>	<u>637,729</u>
Total Deferred Inflows of Resources	<u>172,562</u>	<u>465,167</u>	<u>637,729</u>
FUND BALANCE			
Nonspendable:			
Prepays	8,941	-	8,941
Restricted:			
Emergencies	5,521	-	5,521
Debt service	-	80,045	80,045
Assigned			
Subsequent year expenditures	90,643	-	90,643
Unassigned	<u>12,564</u>	<u>-</u>	<u>12,564</u>
Total Fund Balances	<u>117,669</u>	<u>80,045</u>	<u>197,714</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 302,960</u>	<u>\$ 545,212</u>	

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	38,023
Long-term liabilities, including bonds payable, are not due and payable in current period and therefore are not reported in the funds.	<u>(6,597,216)</u>
Net Position of governmental activities	<u><u>\$ (6,361,479)</u></u>

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

Heather Ridge Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
GENERAL REVENUES			
Property taxes	\$ 173,527	\$ 467,767	\$ 641,294
Specific ownership taxes	13,243	35,699	48,942
Rent	86,911	-	86,911
Other income	<u>5,065</u>	<u>879</u>	<u>5,944</u>
Total General Revenues	<u>278,746</u>	<u>504,345</u>	<u>783,091</u>
EXPENDITURES			
Accounting and audit	25,461	-	25,461
Insurance	9,128	-	9,128
Legal and election	43,705	-	43,705
Miscellaneous expenses	1,744	-	1,744
Community Communications	32,855	-	32,855
District management	32,944	-	32,944
Building expenses	124,250	-	124,250
Other repairs and maintenance	13,993	-	13,993
Mileage/travel	2,366	-	2,366
Meals and Entertainment	4,813	-	4,813
Bond interest	-	252,262	252,262
Bond Principal 2016	-	260,000	260,000
Bond principal 2009	-	4,295,000	4,295,000
Bond principal 2011	-	668,000	668,000
Bond termination fee	-	44,618	44,618
Trustee fees	-	1,650	1,650
Treasurer's fees	2,606	7,025	9,631
Cost of issuance	<u>-</u>	<u>165,815</u>	<u>165,815</u>
Total Expenditures	<u>293,865</u>	<u>5,694,370</u>	<u>5,988,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,119)</u>	<u>(5,190,025)</u>	<u>(5,205,144)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds	-	4,870,000	4,870,000
Premium on bonds	-	150,230	150,230
Transfer from (to) other funds	<u>-</u>	<u>13,253</u>	<u>13,253</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,033,483</u>	<u>5,033,483</u>
CHANGE IN FUND BALANCE	(15,119)	(156,542)	(171,661)
FUND BALANCE - BEGINNING OF YEAR	<u>132,788</u>	<u>236,587</u>	<u>369,375</u>
FUND BALANCE - END OF YEAR	<u>\$ 117,669</u>	<u>\$ 80,045</u>	<u>\$ 197,714</u>

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

Heather Ridge Metropolitan District No. 1

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the 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 \$ (171,661)

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 the change in net position.

Refunding bonds	(6,640,000)
Premium on bonds	(208,318)
Bond principal payment	5,223,000
Bond insurance	39,758
Amortization of premium, and bond insurance	7,355

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

Change in accrued interest on bonds payable	<u>35,181</u>
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Change in Net Position of Governmental Activities \$ (1,714,685)

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

Heather Ridge Metropolitan District No. 1

BALANCE SHEET PROPRIETARY FUND December 31, 2016

ASSETS

CURRENT ASSETS

Cash and investments	\$ 406,682
Cash and investments - restricted	1,206,161
Accounts receivable - customer	21,604
Inventory	16,289
Prepaid expenses	<u>7,188</u>
Total Current Assets	<u>1,657,924</u>

CAPITAL ASSETS

Capital assets, net of accumulated depreciation	<u>4,107,150</u>
Total Assets	<u>\$ 5,765,074</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	<u>\$ 133,386</u>
Total Current Liabilities	<u>133,386</u>
Total Liabilities	<u>133,386</u>

NET POSITION

Net Investment in capital assets	4,107,150
Unrestricted	<u>1,524,538</u>
Total Net Position	<u>5,631,688</u>
Total Liabilities and Net Position	<u>\$ 5,765,074</u>

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

Heather Ridge Metropolitan District No. 1

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2016

OPERATING REVENUES	
Golf Course fees	\$ 789,182
Total Operating Revenues	<u>789,182</u>
OPERATING EXPENSES	
Golf Operations	302,450
Administrative expenses	87,502
Grounds expense	386,358
Cost of issuance	23,738
Depreciation expense	<u>283,033</u>
Total Operating Expenses	<u>1,083,081</u>
INCOME (LOSS) FROM OPERATIONS	<u>(293,899)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	6,804
Transfer to governmental activities	<u>1,814,835</u>
Non-Operating Revenues (Expenses)	<u>1,821,639</u>
NET INCOME (LOSS) - CHANGE IN NET POSITION	1,527,740
NET POSITION - BEGINNING OF YEAR	<u>4,103,948</u>
NET POSITION - END OF YEAR	<u><u>\$ 5,631,688</u></u>

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

Heather Ridge Metropolitan District No. 1

STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 791,336
Payments to suppliers	<u>(720,419)</u>
Net Cash Provided by Operating Activities	<u>70,917</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Transfers from other funds	<u>1,814,835</u>
Net Cash Provided (Required) by Noncapital Financing Activities	<u>1,814,835</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	<u>(659,160)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(659,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>6,804</u>
Net Cash Provided (Required) by Investing Activities	<u>6,804</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,233,396
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>379,447</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,612,843</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Net income (loss) from operations	\$ (293,899)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation and amortization	283,033
Changes in Assets and Liabilities:	
Accounts payable	84,272
Receivables	2,154
Inventory	(5,778)
Prepaid expenses	<u>1,135</u>
Net Adjustments	<u>364,816</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 70,917</u>

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

Heather Ridge Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 172,750	\$ 172,000	\$ 173,527	\$ 1,527
Specific ownership taxes	12,093	13,000	13,243	243
Rent	80,000	85,000	86,911	1,911
Other income	<u>2,500</u>	<u>4,300</u>	<u>5,065</u>	<u>765</u>
 Total Revenues	 <u>267,343</u>	 <u>274,300</u>	 <u>278,746</u>	 <u>4,446</u>
 EXPENDITURES				
Accounting and audit	26,500	26,500	25,461	1,039
Insurance	10,500	9,734	9,128	606
Legal and election	20,000	35,909	43,705	(7,796)
Miscellaneous expenses	3,100	922	1,744	(822)
Community Communications	35,000	35,000	32,855	2,145
District management	18,000	35,000	32,944	2,056
Building expenses	131,200	153,800	124,250	29,550
Other repairs and maintenance	-	10,000	13,993	(3,993)
Mileage/travel	1,000	2,500	2,366	134
Meals and Entertainment	1,500	4,500	4,813	(313)
Treasurer's fees	2,591	2,580	2,606	(26)
Contingency	10,560	3,555	-	3,555
Emergency Reserve	<u>7,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>267,343</u>	 <u>320,000</u>	 <u>293,865</u>	 <u>26,135</u>
 CHANGE IN FUND BALANCE	 -	 (45,700)	 (15,119)	 30,581
 FUND BALANCE - BEGINNING OF YEAR	 <u>-</u>	 <u>132,788</u>	 <u>132,788</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u>\$ -</u>	 <u>\$ 87,088</u>	 <u>\$ 117,669</u>	 <u>\$ 30,581</u>

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

Heather Ridge Metropolitan District No. 1

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Heather Ridge Metropolitan District No. 1, located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 4, 2006 as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established as a mechanism to preserve the Heather Ridge open space and to provide public improvement and related operations and services as described in the Special District Act. Through an intergovernmental agreement with the City of Aurora the District is also authorized to own, operate and maintain the Heather Ridge Golf Course (“Golf Course”). The District’s primary revenues are property taxes and fees from the Golf Course. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB No. 34.

Heather Ridge Metropolitan District No. 1

Notes to Financial Statements December 31, 2016

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise 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*, as are the proprietary fund financial statements. 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 collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are 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 paid.

Heather Ridge Metropolitan District No. 1

Notes to Financial Statements
December 31, 2016

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

The District reports the following major proprietary funds:

Golf Fund – The Golf Fund is an enterprise fund that accounts for the Golf Course operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. This fund is comprised of the Proprietary Fund and the Capital Projects Fund.

The Enterprise Funds account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. The District's proprietary fund consists of the Golf Fund.

Heather Ridge Metropolitan District No. 1

Notes to Financial Statements December 31, 2016

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, 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 District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Subsequent to year end the District amended its total appropriations in the General Fund from \$267,343 to \$320,000 primarily as a result of increased clubhouse and restaurant improvements, in the Proprietary Fund from \$629,900 to \$750,000 primarily as the result of higher golf operations and grounds expenses, in the Debt Service Fund from \$5,190,159 to \$5,700,000 primarily as a result of increased legal fees, and in the Capital Projects Fund from \$2,963 to \$1,100,000 due to increased capital outlay.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents.

Assets, Liabilities, and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

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 minimum number of bank accounts. 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 funds' average equity balance in the total cash.

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Notes to Financial Statements
December 31, 2016

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category at December 31, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Prepaid Debt Insurance and Original Issue Premium

Prepaid debt insurance and Original Issue Premium from the Series 2016 Bonds are being amortized over the term of the bonds using the effective interest method. Accumulated amortization of prepaid debt insurance and original issue premium amounted to \$1,735 and \$9,090, respectively, at December 31, 2016.

Capital Assets

Capital assets, which include the Golf Course and related facilities, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$150 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

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December 31, 2016

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Golf Course and related facilities	20 years
Equipment	6 years

Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Inventory

All inventories are valued at cost using the first-in/first-out method.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

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Notes to Financial Statements
December 31, 2016

The nonspendable fund balance in the General Fund in the amount of \$8,941 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$5,521 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$80,045 is restricted for the payment of the debt service costs associated with the Series 2016 Bonds. (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

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

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

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Notes to Financial Statements
December 31, 2016

Net investment in capital assets – consists of net capital assets, except for construction in progress, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 511,651
Cash and investments – Restricted	1,289,120
Total	<u>\$ 1,800,771</u>

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

Deposits with financial institutions	\$ 33,150
Petty cash	2,450
Investments – COLOTRUST	1,765,171
	<u>\$ 1,800,771</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured depositories and assets maintained in the collateral pools.

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Notes to Financial Statements
December 31, 2016

The District follows state statutes for deposits. None of the District's deposits are exposed to custodial credit risk.

Investments

Credit risk

The District has not adopted a formal investment policy, however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Investment Valuation

The District categorizes its fair value measurements 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; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District has the following recurring fair value measurements as of December 31, 2016:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government		
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 1,765,171

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST) is rated AAAM by Standard and Poor's with a weighted average maturity of less than 60 days a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds.

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Notes to Financial Statements
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The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$1,765,171 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Business Type Activities:				
<u>Capital assets being depreciated:</u>				
Golf Course, clubhouse and related equipment	\$ 5,284,538	\$ 659,160	\$ -	\$ 5,943,698
Accumulated Depreciation	<u>(1,553,515)</u>	<u>(283,033)</u>	<u>-</u>	<u>(1,836,548)</u>
Business type assets, net	<u>\$ 3,731,023</u>	<u>\$ 376,127</u>	<u>\$ -</u>	<u>\$ 4,107,150</u>

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

Business-type activities:	
Golf Course fund	<u>\$ 283,033</u>
Total depreciation expense –business type activities	<u>\$ 283,033</u>

Note 4: Long-term Debt

A description of the long-term obligations as of December 31, 2016, is as follows:

\$5,195,000 of General Obligation Bonds, Series 2009

On December 1, 2009, the District issued \$5,195,000 of General Obligation Bonds Series 2009 (“Series 2009 Bonds”) for the purpose of acquiring, constructing and installing the Golf Course, paying the costs of issuance, and funding a reserve fund in the amount of \$187,343. The bonds bore interest at the rate of 4.3% until September 30, 2016, thereafter, at the one-month LIBOR rate in effect and reset each New York banking day, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, such rate rounded up to the nearest one-sixteenth percent, plus 10.75%; provided that in no event shall the Adjusted LIBOR Rate exceed a rate which would cause the Bonds to bear interest at a net effective interest rate in excess of 18.00% per annum.

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Notes to Financial Statements
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Interest was payable quarterly on each January 1st, April 1st, July 1st, and October 1st except that the first interest payment date was April 30, 2010. The Series 2009 Bonds were subject to a mandatory sinking fund redemption commencing on October 1, 2010. The Series 2009 Bonds were subject to early redemption at the option of the District. For Series 2009 Bonds being redeemed prior to October 1, 2016, the Optional Redemption Price was equal to the principal amount of the Bonds being redeemed, accrued interest to the date of redemption, plus the Prepayment Fee. For Bonds being redeemed after October 1, 2016, the Optional Redemption Price was equal to the principal amount of the Series 2009 Bonds being redeemed, accrued interest to the date of redemption, without a redemption premium.

On March 10, 2011 the Series 2009 Bonds were amended to change the maturity date to October 1, 2016, changed the interest rate for the periods beginning after September 30, 2016 to the one-month LIBOR rate in effect and reset each New York banking day, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, such rate rounded up to the nearest one-sixteenth percent, plus 7%; provided that in no event shall the Adjusted LIBOR Rate exceed a rate which would cause the Series 2009 Bonds to bear interest at a net effective interest rate in excess of 18.00% per annum.

The Series 2009 Bonds were fully defeased on June 3, 2016, with the issuance of the Series 2016 Bonds.

\$750,000 of General Obligation Bonds, Series 2011

On March 10, 2011, the District issued \$750,000 of General Obligation Bonds, Series 2011 (“Series 2011 Bonds”). The Series 2011 Bonds were issued for the purpose of installing the Irrigation Project, which is the acquisition, construction, and installation of water and irrigation improvements for the District's golf course and related facilities, paying the costs of issuance, and funding a reserve fund in the amount of \$20,658.

The bonds bore interest at the rate of 4.19% until September 30, 2016, thereafter at the one-month LIBOR rate in effect and reset each New York banking day, rounded up to the nearest one-sixteenth percent, and adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, plus 7%. In no event shall the Adjusted LIBOR Rate exceed a rate which would cause the Series 2011 Bonds to bear interest at a net effective interest rate in excess of 18% per annum. Interest was payable quarterly on each January 1st, April 1st, July 1st, and October 1st. The Series 2011 Bonds matured on October 1, 2016. The bonds were subject to a mandatory sinking fund redemption commencing on October 1, 2011. The bonds were subject to early redemption at the option of the District at the Optional Redemption Price which shall be a price equal to the principal amount of the Bonds being redeemed, plus accrued interest to the date of redemption, without a redemption premium.

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Notes to Financial Statements
December 31, 2016

The Series 2011 Bonds were fully defeased on June 3, 2016, with the issuance of the Series 2016 Bonds.

\$6,640,000 General Obligation Refunding and Improvement Bonds, Series 2016

On June 3, 2016, the District issued General Obligation Refunding and Improvement Bonds, Series 2016 (“Series 2016 Bonds”) in the amount of \$6,640,000 to current refund the District’s General Obligation Bonds, Series 2009, current refund the District’s General Obligation Bonds, Series 2011, fund the Reserve Fund, pay the costs of the issuance of the Series 2016 Bonds, and finance the costs of public improvements. The Bonds bear interest at rates from 2% to 5% and are payable on June 1 and December 1, each year, commencing December 1, 2016, and mature on December 1, 2039. The Series 2016 Bonds are payable from general and ad valorem taxes which may be levied without limitation of rate and in an amount necessary to pay the Bonds, when due against all taxable property within the District. The Series 2016 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2027 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, commencing on December 1, 2026, upon payment of par and accrued interest, without redemption premium. As a result of the issuance of the Series 2016 Bonds, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt equaled the net carrying amount of the old debt. The refunding resulted in an economic loss of \$1,439,813 due to the extension of the maturity date. The payments on the Series 2016 Bonds exceeds the payments on the refunded debt by \$4,512,915.

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016	Current Portion
General Obligation Bonds					
Series 2009	\$ 4,295,000	\$ -	\$4,295,000	\$ -	\$ -
Series 2011	668,000	-	668,000	-	-
Series 2016	-	6,640,000	260,000	6,380,000	185,000
Premium on Series 2016	-	208,318	9,090	199,228	-
Total	<u>\$ 4,963,000</u>	<u>\$ 6,848,318</u>	<u>\$5,232,090</u>	<u>\$ 6,579,228</u>	<u>\$ 185,000</u>

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Notes to Financial Statements
December 31, 2016

The following is a summary of the annual long-term debt principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 185,000	\$ 215,850	\$ 400,850
2018	190,000	210,300	400,300
2019	195,000	202,700	397,700
2020	205,000	194,900	399,900
2021	215,000	184,650	399,650
2022-2026	1,205,000	793,662	1,998,662
2027-2031	1,405,000	593,190	1,998,190
2032-2036	1,655,000	338,840	1,993,840
2037-2039	1,125,000	73,771	1,198,771
Total	<u>\$ 6,380,000</u>	<u>\$ 2,807,863</u>	<u>\$ 9,187,863</u>

As of December 31, 2016, the District had remaining voted debt authorization of \$32,567,593 for improvement projects, \$80,000,000 for refunding bonds, and \$39,714,275 for operations purposes, for a total of \$152,281,868. Per the District's Service Plan, the District cannot issue debt in excess of \$40,000,000.

Note 5: Related Party

During 2011 the District entered into a contract for management services of the District with Vinny's Custom Golf Inc. This was amended on July 1, 2014, with a termination date of December 31, 2015. One of the members of the board of directors is President of Vinny's Custom Golf Inc. The District paid a management fee of \$15,000 during the year. During 2016, Vinny's Custom Golf Inc. terminated its agreement with the District.

Note 6: Tax Spending and Debt Limitations

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

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

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Notes to Financial Statements
December 31, 2016

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 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool (the "Pool") is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official's liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

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Notes to Financial Statements
December 31, 2016

Note 8: Commitments and Contingencies

On April 2, 2014, the District entered into an agreement to lease golf carts for 4 years commencing on May 15, 2014. The District will have the option to purchase the golf carts at the end of the term for \$60,000. The future minimum lease payments are as follows:

2017	\$	54,900
2018		<u>18,300</u>
Total	\$	<u>73,200</u>

SUPPLEMENTAL INFORMATION

Heather Ridge Metropolitan District No. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 465,673	\$ 465,673	\$ 467,767	\$ 2,094
Specific ownership taxes	32,597	32,597	35,699	3,102
Other income	<u>4,900,000</u>	<u>1,000</u>	<u>879</u>	<u>(121)</u>
 Total Revenues	 <u>5,398,270</u>	 <u>499,270</u>	 <u>504,345</u>	 <u>5,075</u>
 EXPENDITURES				
Bond principal 2009	4,295,000	4,295,000	4,295,000	-
Bond interest	212,674	322,674	252,262	70,412
Bond principal 2011	668,000	668,000	668,000	-
Bond Principal 2016	-	260,000	260,000	-
Bond termination fee	-	50,000	44,618	5,382
Trustee fees	2,500	2,500	1,650	850
Treasurer's fees	6,985	6,985	7,025	(40)
Contingency	5,000	-	-	-
Cost of issuance	<u>147,000</u>	<u>94,841</u>	<u>165,815</u>	<u>(70,974)</u>
 Total Expenditures	 <u>5,337,159</u>	 <u>5,700,000</u>	 <u>5,694,370</u>	 <u>5,630</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	61,111	(5,200,730)	(5,190,025)	10,705
 OTHER FINANCING SOURCES				
Refunding bonds	-	4,870,000	4,870,000	-
Premium on bonds	-	150,230	150,230	-
Transfer from (to) other funds	<u>-</u>	<u>15,000</u>	<u>13,253</u>	<u>(1,747)</u>
 Total Other Financing Sources	 <u>-</u>	 <u>5,035,230</u>	 <u>5,033,483</u>	 <u>(1,747)</u>
 NET CHANGE IN FUND BALANCE				
	61,111	(165,500)	(156,542)	8,958
 FUND BALANCE - BEGINNING OF YEAR				
	<u>234,428</u>	<u>234,428</u>	<u>236,587</u>	<u>2,159</u>
 FUND BALANCE - END OF YEAR				
	<u>\$ 295,539</u>	<u>\$ 68,928</u>	<u>\$ 80,045</u>	<u>\$ 11,117</u>

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

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SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
GENERAL REVENUES				
Interest income	\$ -	\$ -	\$ 6,804	\$ 6,804
Total General Revenues	<u>-</u>	<u>-</u>	<u>6,804</u>	<u>6,804</u>
EXPENDITURES				
Cost of issuance	-	-	23,738	(23,738)
Capital outlay	<u>2,963</u>	<u>1,100,000</u>	<u>659,160</u>	<u>440,840</u>
Total Expenditures	<u>2,963</u>	<u>1,100,000</u>	<u>682,898</u>	<u>417,102</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,963)</u>	<u>(1,100,000)</u>	<u>(676,094)</u>	<u>423,906</u>
OTHER FINANCING SOURCES (USES)				
Transfer (to) from other funds	<u>-</u>	<u>1,800,000</u>	<u>1,814,835</u>	<u>14,835</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,800,000</u>	<u>1,814,835</u>	<u>14,835</u>
NET CHANGE IN FUND BALANCE	(2,963)	700,000	1,138,741	438,741
FUND BALANCE - BEGINNING OF YEAR	<u>2,963</u>	<u>2,963</u>	<u>2,961</u>	<u>(2)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 702,963</u>	<u>\$ 1,141,702</u>	<u>\$ 438,739</u>

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

Heather Ridge Metropolitan District No. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - PROPRIETARY FUND

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Golf Course fees	\$ 899,300	\$ 899,300	\$ 789,182	\$ (110,118)
Total Revenues	<u>899,300</u>	<u>899,300</u>	<u>789,182</u>	<u>(110,118)</u>
EXPENDITURES				
Golf Operations	254,000	305,000	302,450	2,550
Administrative expenses	89,500	90,000	87,502	2,498
Grounds expense	286,400	355,000	386,358	(31,358)
Cost of issuance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>629,900</u>	<u>750,000</u>	<u>776,310</u>	<u>(26,310)</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	269,400	149,300	12,872	(136,428)
FUND BALANCE - BEGINNING OF YEAR	<u>512,077</u>	<u>512,077</u>	<u>404,735</u>	<u>(107,342)</u>
FUND BALANCE - END OF YEAR	<u>\$ 781,477</u>	<u>\$ 661,377</u>	<u>\$ 417,607</u>	<u>\$ (243,770)</u>

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

Heather Ridge Metropolitan District No. 1

RECONCILIATION OF REVENUES AND EXPENDITURES
BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN NET POSITION

PROPRIETARY FUND

For the Year Ended December 31, 2016

Excess of revenues over expenditures	\$ 12,872
Interest income which is included in the Capital Projects Fund Budget not the Proprietary Fund Budget	6,804
Cost of issuance included in Capital Projects Fund	(23,738)
Transfer to Debt Service fund which is included in the Capital Projects Fund Budget not the Proprietary Fund Budget	(13,253)
Add transfer of debt to governmental activities	1,828,088
Deduct depreciation which is an expense on the Statement of Revenues Expenditures and Changes in Net Position	<u>(283,033)</u>
Changes in Net Position per Statement Revenues, Expenditures and Changes in Net Position	<u>\$ 1,527,740</u>

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