Heather Ridge Metropolitan District No. 1

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2020, 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.

Fiscal Focus Partners, LLC

5555 DTC Parkway, Suite 375, Greenwood Village, CO 80111
303.202.1800 www.ffpcpa.com

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 statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental 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 supplemental 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 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.

The continuing disclosure annual financial information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 30, 2021

Heather Ridge Metropolitan District No. 1

STATEMENT OF NET POSITION
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and investments	$ 41,719	$ 831,478	$ 873,197
Cash and investments restricted	334,919	545,112	880,031
Taxes receivable - County Treasurer	3,703	-	3,703
Taxes receivable	772,979	-	772,979
Inventory	-	19,967	19,967
Accounts receivable - customer	4,000	6,491	10,491
Prepaid expenses	10,373	6,579	16,952
Prepaid bond insurance - net	26,830	-	26,830
CAPITAL ASSETS			
Capital assets, net of accumulated depreciation	229,061	3,526,517	3,755,578
Total Assets	1,423,584	4,936,144	6,359,728
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	19,887	81,394	101,281
Accrued bond interest payable	15,388	-	15,388
NONCURRENT LIABILITIES			
Bonds payable, due within one year	215,000	-	215,000
Bonds payable, due in more than one year	5,530,588	-	5,530,588
Total Liabilities	5,780,863	81,394	5,862,257
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	772,979	-	772,979
Total deferred inflows of resources	772,979	-	772,979
NET POSITION			
Net invested in capital assets	229,061	3,526,517	3,755,578
Restricted for:			
Emergency reserve	9,765	-	9,765
Debt service	311,866	-	311,866
Capital projects	-	531,306	531,306
Unrestricted:	(5,680,950)	796,927	(4,884,023)
Total Net Position (Deficit)	$ (5,130,258)	$ 4,854,750	$ (275,508)

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

Heather Ridge Metropolitan District No. 1

STATEMENT OF ACTIVITES
For the Year Ended December 31, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	$ 329,863	$ 96,950	$ -	$ -	$ (232,913)	$ -	$ (232,913)
Interest and related costs on long-term debt	180,508	-	-	-	(180,508)	-	(180,508)
Total Governmental Activities	510,371	96,950	-	-	(413,421)	-	(413,421)
Business-Type Activities:							
Golf - operations	1,451,401	1,533,534	-	-	-	82,133	82,133
Total Business-Type Activities	1,451,401	1,533,534	-	-	-	82,133	82,133
Total	$ 1,961,772	$ 1,630,484	$ -	$ -	(413,421)	82,133	(331,288)
General Revenues:							
Property taxes					756,746	-	756,746
Specific ownership taxes					53,628	-	53,628
Other income					6,072	7,862	13,934
Total General Revenues					816,446	7,862	824,308
Change in Net Position					403,025	89,995	493,020
Net Position (Deficit) - Beginning					(5,533,283)	4,764,755	(768,528)
Net Position (Deficit) - Ending					$ (5,130,258)	$ 4,854,750	$ (275,508)

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, 2020

	General	Debt Service	Total
ASSETS			
Cash and investments	$ 41,719	$ -	$ 41,719
Cash and investments - restricted	9,765	325,154	334,919
Property taxes receivable - current	1,603	2,100	3,703
Property taxes receivable	334,573	438,406	772,979
Accounts receivable	-		-
Receivable - rent	4,000	-	4,000
Other receivable	-	-	-
Prepaid expenses	10,373	-	10,373
Total Assets	$ 402,033	$ 765,660	$ 1,167,693
LIABILITIES			
Accounts payable	$ 19,887	$ -	$ 19,887
Total Liabilities	19,887	-	19,887
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	334,573	438,406	772,979
Total Deferred Inflows of Resources	334,573	438,406	772,979
FUND BALANCE			
Nonspendable:			
Prepaids	10,373	-	10,373
Restricted:			
Emergencies	9,765	-	9,765
Debt service	-	327,254	327,254
Assigned			
Subsequent year expenditures	20,129	-	20,129
Unassigned	7,306	-	7,306
Total Fund Balances	47,573	327,254	374,827
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 402,033	$ 765,660	

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 not reported in the funds.	26,830
Capital assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	229,061
Long-term liabilities, including bonds payable, are not not due and payable in current period and therefore are not reported in the funds.	(5,760,976)
Net Position of governmental activities	$ (5,130,258)

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, 2020

	General	Debt Service	Total
GENERAL REVENUES			
Property taxes	$ 327,546	$ 429,200	$ 756,746
Specific ownership taxes	23,212	30,416	53,628
Rent	96,950	-	96,950
Other income	5,253	819	6,072
Total General Revenues	452,961	460,435	913,396
EXPENDITURES			
Accounting and audit	26,602	-	26,602
Insurance	12,067	-	12,067
Legal and election	21,415	-	21,415
Community Communications	44,567	-	44,567
Consultant Fees/mgmt fees/professional fees	36,542	-	36,542
Building expenses	341,708	-	341,708
Landscaping	15,120	-	15,120
Mileage/travel	1,709	-	1,709
Meals and Entertainment	1,753	-	1,753
Bond interest	-	194,900	194,900
Bond Principal 2016	-	205,000	205,000
Trustee fees	-	600	600
Treasurer's fees	4,918	6,444	11,362
Total Expenditures	506,401	406,944	913,345
CHANGE IN FUND BALANCE	(53,440)	53,491	51
CHANGE IN NET ASSETS			
FUND BALANCE - BEGINNING OF YEAR	101,013	273,763	374,776
FUND BALANCE - END OF YEAR	$ 47,573	$ 327,254	$ 374,827

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, 2020

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

Net change in fund balances - Total governmental funds	$ 51
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 lives of the asset. Therefore, this is the amount of capital outlay, net of depreciation, in the current period.	
Capital outlay	188,834
Depreciation expense	(2,926)
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.	
Bond principal payment	205,000
Amortization of premium and bond insurance	11,212
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	854
Change in Net Position of Governmental Activities	$ 403,025

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, 2020

ASSETS	
CURRENT ASSETS	
Cash and investments	$ 831,478
Cash and investments - restricted	545,112
Accounts receivable - customer	6,491
Inventory	19,967
Prepaid expenses	6,579
Total Current Assets	1,409,627
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	3,526,517
Total Assets	$ 4,936,144
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 81,394
Total Current Liabilities	81,394
Total Liabilities	81,394
NET POSITION	
Net Investment in capital assets	3,526,517
Restricted for:	
Capital improvements	531,306
Unrestricted	796,927
Total Net Position	4,854,750
Total Liabilities and Net Position	$ 4,936,144

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

Heather Ridge Metropolitan District No. 1

STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2020

OPERATING REVENUES	
Golf Course fees	$ 1,533,534
Total Operating Revenues	1,533,534
OPERATING EXPENSES	
Golf Operations	472,775
Administrative expenses	100,299
Grounds expense	508,581
Depreciation expense	369,746
Total Operating Expenses	1,451,401
INCOME (LOSS) FROM OPERATIONS	82,133
NON-OPERATING REVENUES (EXPENSES)	
Interest income	7,862
Non-Operating Revenues (Expenses)	7,862
NET INCOME (LOSS) - CHANGE IN NET POSITION	89,995
NET POSITION - BEGINNING OF YEAR	4,764,755
NET POSITION - END OF YEAR	$ 4,854,750

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 1,578,138
Payments to suppliers	(1,040,979)
Net Cash Provided by Operating Activities	537,159
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquistion and construction of capital assets	(110,187)
Net Cash (Used) by Capital and Related Financing Activities	(110,187)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	7,862
Net Cash Provided (Required) by Investing Activities	7,862
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	434,834
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	941,756
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,376,590
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Net income (loss) from operations	$ 82,133
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation and amortization	369,746
Changes in Assets and Liabilities:	
Accounts payable	45,618
Receivables	44,604
Inventory	1,387
Prepaid expenses	(6,329)
Net Adjustments	455,026
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 537,159

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, 2020

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 327,554	$ 327,546	$ (8)
Specific ownership taxes	23,280	23,212	(68)
Rent	135,000	96,950	(38,050)
Other income	9,000	5,253	(3,747)
Total Revenues	494,834	452,961	(41,873)
EXPENDITURES			
Accounting and audit	21,200	26,602	(5,402)
Insurance	11,000	12,067	(1,067)
Legal and election	47,000	21,415	25,585
Social function	4,000	-	4,000
Community Communications	45,000	44,567	433
Consultant Fees/mgmt fees/professional fees	30,000	36,542	(6,542)
Building expenses	190,200	341,708	(151,508)
Miscellaneous	7,200	-	7,200
Landscaping	25,000	15,120	9,880
Mileage/travel	2,500	1,709	791
Meals and Entertainment	2,500	1,753	747
Treasurer's fees	4,913	4,918	(5)
Catastrophic funds	107,308	-	107,308
Contingency	103,968	-	103,968
Emergency Reserve	11,379	-	11,379
Total Expenditures	613,168	506,401	106,767
CHANGE IN FUND BALANCE	(118,334)	(53,440)	64,894
FUND BALANCE - BEGINNING OF YEAR	118,334	101,013	(17,321)
FUND BALANCE - END OF YEAR	$ -	$ 47,573	$ 47,573

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

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.

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.

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.

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 Proprietary Fund from $923,053 to $1,237,333 primarily as the result of increased golf operations and grounds expenses; however, expenditures still exceeded budget and the District may be in violation of state budgetary laws. Subsequent to year end, the District also amended its total appropriation in the Capital Projects Fund – Catastrophic from $0 to $200,000 primarily for potential well expenses.

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, 2020, 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.

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, 2020.

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 $12,928 and $67,730, respectively, at December 31, 2020.

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 change. 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.

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

Golf Course and related facilities	15 - 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.

The nonspendable fund balance in the General Fund in the amount of $10,373 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 $9,765 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 $327,254 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.

The assigned fund balance in the General Fund is set aside for subsequent year expenditures.

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:

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, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 873,197
Cash and investments – Restricted	880,031
Total	$ 1,753,228

Cash and investments as of December 31, 2020, consist of the following:

Deposits with financial institutions	$ 432,480
Petty cash	2,450
Investments – COLOTRUST	1,318,298
	$ 1,753,228

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.

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

Certain investments are measured at fair value 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. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

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.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trust operates 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 trust. Substantially all securities owned by the trust 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, 2020, the District had $1,318,298 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Government Activities				
Capital assets being depreciated:				
Clubhouse airconditioning	$ 43,884	$ -	$ -	$ 43,884
Clubhouse roof replacement	-	188,834	-	188,834
Accumulated Depreciation	(731)	(2,926)	-	(3,657)
Government activities assets, net	43,153	185,908	-	229,061
Business Type Activities:				
Capital assets being depreciated:				
Golf Course, clubhouse and related equipment	$6,672,528	$ 110,187	$ -	$6,782,715
Accumulated Depreciation	(2,886,452)	(369,746)	-	(3,256,198)
Business type assets, net	$3,786,076	$ (259,559)	$ -	$3,526,517

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

General Government	$ 2,926
Business-type activities:	
Golf Course fund	369,746
Total depreciation expense –business type activities	$ 372,672

Note 4: Long-term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

$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, 2020:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
General Obligation Bonds					
Series 2016	$ 5,810,000	$ -	$ 205,000	$ 5,605,000	$ 215,000
Premium on Series 2016	154,445	-	13,857	140,588	-
Total	$ 5,964,445	$ -	$ 218,857	$ 5,745,588	$ 215,000

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

	Principal	Interest	Total
2021	$ 215,000	$ 184,650	$ 399,650
2022	225,000	173,900	398,900
2023	235,000	162,650	397,650
2024	240,000	157,950	397,950
2025	250,000	152,550	402,550
2026-2030	1,355,000	643,564	1,998,564
2031-2035	1,610,000	387,140	1,997,140
2036-2039	1,475,000	121,709	1,596,709
Total	$ 5,605,000	$ 1,984,113	$ 7,589,113

As of December 31, 2020, 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: 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.

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 6: 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.

Note 7: Commitments and Contingencies

On March 19, 2018, the District entered into an agreement to lease golf carts for 4 years commencing on May 15, 2018. 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:

2021	$ 58,608
2022	19,536
	$ 78,144

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, 2020

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 429,208	$ 429,200	$ (8)
Specific ownership taxes	30,045	30,416	371
Other income	1,500	819	(681)
Total Revenues	460,753	460,435	(318)
EXPENDITURES			
Bond interest	205,000	194,900	10,100
Bond Principal 2016	194,900	205,000	(10,100)
Trustee fees	5,000	600	4,400
Treasurer's fees	6,438	6,444	(6)
Contingency	5,007	-	5,007
Total Expenditures	416,345	406,944	9,401
NET CHANGE IN FUND BALANCE	44,408	53,491	9,083
FUND BALANCE - BEGINNING OF YEAR	269,793	273,763	3,970
FUND BALANCE - END OF YEAR	$ 314,201	$ 327,254	$ 13,053

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 -
CAPITAL PROJECTS FUND- CATASTROPHIC
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL REVENUES				
Interest income	$ -	$ -	$ -	$ -
Total General Revenues	-	-	-	-
EXPENDITURES				
Captial repairs	-	200,000	-	200,000
Total Expenditures	-	200,000	-	200,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(200,000)	-	200,000
OTHER FINANCING SOURCES (USES)				
Transfer (to) from other funds	-	200,000	200,000	-
Total Other Financing Sources (Uses)	-	200,000	200,000	-
NET CHANGE IN FUND BALANCE	-	-	200,000	200,000
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ 200,000	$ 200,000

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 -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2020

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
GENERAL REVENUES			
Interest income	$ 11,000	$ 3,197	$ (7,803)
Total General Revenues	11,000	3,197	(7,803)
EXPENDITURES			
Cart path improvements	429,886	110,187	319,699
Total Expenditures	429,886	110,187	319,699
NET CHANGE IN FUND BALANCE	(418,886)	(106,990)	311,896
FUND BALANCE - BEGINNING OF YEAR	418,886	407,886	(11,000)
FUND BALANCE - END OF YEAR	$ -	$ 300,896	$ 300,896

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, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Merchandise	$ 40,000	$ 45,000	$ 51,240	$ 6,240
Miscellaneous Income	4,000	2,000	857	(1,143)
Golf Course fees	1,071,000	1,328,140	1,481,437	153,297
Interest income	-	4,380	4,665	285
Total Revenues	1,115,000	1,379,520	1,538,199	158,679
EXPENDITURES				
Golf Operations	351,328	451,408	472,775	(21,367)
Administrative expenses	88,388	98,588	100,299	(1,711)
Grounds expense	483,337	487,337	508,581	(21,244)
Total Expenditures	923,053	1,037,333	1,081,655	(44,322)
EXCESS OF REVENUES OVER EXPENDITURES	191,947	342,187	456,544	114,357
OTHER FINANCING SOURCES				
Transfers in (out)	-	(200,000)	(200,000)	-
Total Other Financing Sources	-	(200,000)	(200,000)	-
EXCESS OF REVENUES AND OTHER SOURCES OVER CHANGE IN FUND BALANCE	191,947	142,187	256,544	114,357
FUND BALANCE - BEGINNING OF YEAR	557,899	568,795	568,795	-
FUND BALANCE - END OF YEAR	$ 749,846	$ 710,982	$ 825,339	$ 114,357

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, 2020

Excess of revenues over expenditures	$ 456,544
Interest income which is included in the Capital Projects Fund Budget not the Proprietary Fund Budget	3,197
Deduct depreciation which is an expense on the Statement of Revenues Expenditures and Changes in Net Position	(369,746)
Changes in Net Position per Statement Revenues, Expenditures and Changes in Net Position	$ 89,995

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

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION - UNAUDITED

Heather Ridge Metropolitan District No. 1

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2020
UNAUDITED

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2011	$ 11,897,120	11.500	31.000	$ 505,628	$ 503,842	99.65%
2012	$ 12,396,810	14.850	27.650	$ 526,864	$ 526,170	99.87%
2013	$ 12,487,140	11.500	31.000	$ 530,703	$ 529,601	99.79%
2014	$ 11,365,226	8.000	34.500	$ 483,022	$ 481,594	99.70%
2015	$ 11,502,167	8.000	34.500	$ 488,842	$ 488,843	100.00%
2016	$ 15,021,708	11.500	31.000	$ 638,423	$ 641,294	100.45%
2017	$ 15,005,393	11.500	31.000	$ 637,729	$ 638,347	100.10%
2018	$ 19,153,726	11.500	22.000	$ 641,650	$ 641,826	100.03%
2019	$ 19,071,095	11.500	22.000	$ 638,882	$ 637,891	99.84%
2020	$ 22,589,914	14.500	19.000	$ 756,762	$ 756,746	100.00%
Estimated for year ending December 31, 2021	$ 23,074,002	14.500	19.000	$ 772,979		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

Heather Ridge Metropolitan District No. 1

TEN LARGEST OWNERS OF TAXABLE PROPERTY
WITHIN THE DISTRICT
December 31, 2020
UNAUDITED

Taxpayer Name	2020 Assessed Valuation	Percentage of Total Assessed Valuation
Qwest Corp.	$ 713,550	3.09%
Public Service Company of Colorado aka Xcel Energ	336,800	1.46%
Private Homeowner #1	27,671	0.12%
Private Homeowner #2	27,206	0.12%
Private Homeowner #3	27,206	0.12%
Private Homeowner #4	26,992	0.12%
Private Homeowner #5	26,806	0.12%
Private Homeowner #6	26,548	0.12%
Private Homeowner #7	26,190	0.11%
Private Homeowner #8	26,105	0.11%
Total	$ 1,265,074	5.48%

NOTE

Assessed Valuations were obtained from the Arapahoe County website.

Heather Ridge Metropolitan District No. 1

ASSESSED VALUATION OF CLASSES
OF PROPERTY IN THE DISTRICT
December 31, 2020
UNAUDITED

Class	2020 Assessed Valuation	Percent of Assessed Valuation
Residential	$ 22,017,301	97.35%
State Assessed	591,560	2.62%
Commercial	6,351	0.03%
Total	$ 22,615,212	100.00%

NOTE

Percentage is based on a 2020 certified assessed valuation of $22,589,914

Heather Ridge Metropolitan District No. 1

SELECTED DEBT RATIOS OF THE DISTRICT
December 31, 2020
UNAUDITED

Direct Debt (Dist bonds only)	$ 5,605,000
Direct debt	$ 5,605,000
2020 Assessed Valuation	$ 23,074,002
Direct Debt to 2020 Assessed Valuation	24.29%
2020 Statutory Actual Value	$ 309,673,007
Direct Debt to 2020 Statutory Actual Value	1.81%