
***HEATHER GARDENS
METROPOLITAN DISTRICT***
FINANCIAL STATEMENTS
DECEMBER 31, 2022

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1900 16th Street
Suite 1700
Denver, CO 80202

T: 303.698.1883
E: info@rubinbrown.com
www.RubinBrown.com

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Heather Gardens Metropolitan District
Aurora, Colorado

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Heather Gardens Metropolitan District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the District as of December 31, 2022, and the respective changes in its financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinions

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

Responsibilities Of Management For The Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities For The Audit Of The Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

Report On Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budget and actual schedule and note to the schedule on pages 28 and 29, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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.

Other Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

April 20, 2023

HEATHER GARDENS METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2022

Our discussion and analysis of Heather Gardens Metropolitan District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements, which begin on page 10.

Description of the District and its Relationship with the Heather Gardens Association

Community Heather Gardens is an age-restricted community of active, independent adults. It is located on 200 acres of land in the southeast Denver metro area less than a mile from I-225, RTD's Nine-Mile light rail station, and Cherry Creek State Park and reservoir. It consists of 2,426 condominium units, townhouses and patio homes and properties. Two separate organizations have been formed to administer the community properties and business activities. They are Heather Gardens Association (Association) and the District

The Association. The Association was incorporated in January 1973 as a corporation to act as manager of the condominium units. The Association levies assessment fees to unit owners in accordance with the formulas contained in the Declaration of Condominium (the Declaration). These assessments are to be used to maintain and preserve the buildings, grounds, improvements, and general common elements; to purchase equipment and other personal property; to pay utilities, insurance and other common element expenses relating to the operation and to provide for the repair and replacement of facilities.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

The District. The District, a quasi- municipal corporation, was formed April 5, 1983. It is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the City of Aurora, Arapahoe County, Colorado. The District was established to provide and operate park and recreation facilities and to improve and maintain Linvale Place within the District. The current activities of the District consist of recreational services and operations, the most significant of which is the operation of a public golf course, clubhouse, and restaurant.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for business-type activities are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting. Required statements for fiduciary funds are: 1) Statement of Fiduciary Net Position and 2) Statement of Changes in Fiduciary Net Position. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the business-type statements because the resources of those funds are not available to support the District's own programs.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position as of December 31, 2022. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the District.

The Statement of Revenues, Expenses and Changes in Net Position reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will only result in cash flows in the subsequent years.

The Statement of Cash Flows, as its name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financial activities and, 4) cash flows from investing activities.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

Financial Highlights

- The District's net position increased by \$149,565 or 3.0% as a result of this year's operations, based on beginning of year net position.
- During the year, the District's operating revenues increased by \$169,491 or 6.7% from revenues in 2021. The District's operating expenses increased \$157,962 or 6.0% from expenses in 2021.
- Non-operating revenues increased by \$3,257, or less than 1%. The increase includes \$20,048 due to increased property taxes collected and higher bond interest income but was partially offset by a reduction in the fair market value of long-term investments of \$16,791. Management intends to hold long-term investments until maturity; therefore, no realized losses are expected.
- Funds related to The District's annual Change in Net Position are allocated between restricted and unrestricted based on board designations and external restrictions.
- Outstanding long-term debt was reduced by \$280,000 or 3.5%

Financial Summary and Analysis

Capital Assets

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 1,725,000	\$ 1,725,000	\$ 1,725,000
Intangible assets (City of Aurora water rights)	133,190	133,190	133,190
Construction in progress	10,460	32,195	18,515
Property, furniture and equipment	16,411,207	16,223,625	16,078,770
Less accumulated depreciation	(7,944,139)	(7,401,522)	(6,847,098)
	<hr/>	<hr/>	<hr/>
Total Capital Assets - Net	\$ 10,335,718	\$ 10,712,488	\$ 11,108,377

For additional information, see note 4.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (Continued)

The following condensed financial information was derived from the District's financial statements:

	2022	2021	2020
Current assets	\$ 2,700,989	\$ 2,389,189	\$ 2,209,103
Noncurrent assets	277,637	356,595	395,242
Capital assets, net of accumulated depreciation	10,335,718	10,712,488	11,108,377
Total Assets	13,314,344	13,458,272	13,712,722
Deferred Outflows of Resources	582,096	614,585	647,074
Current liabilities	606,724	612,145	728,123
Long-term liabilities	7,715,681	8,039,207	8,352,734
Total Liabilities	8,322,405	8,651,352	9,080,857
Deferred Inflows of Resources	503,744	500,779	493,757
Invested in capital assets, net of related debt	2,912,133	3,007,866	3,132,717
Restricted	293,532	352,058	412,900
Unrestricted	1,864,626	1,560,802	1,239,565
Total Net Position	\$ 5,070,291	\$ 4,920,726	\$ 4,785,182
Operating revenues	\$ 2,707,884	\$ 2,538,393	\$ 2,114,718
Nonoperating revenues	553,540	550,283	617,448
Total Revenues	3,261,424	3,088,676	2,732,166
Operating expenses	2,774,540	2,616,578	2,492,944
Nonoperating expenses	337,319	336,554	381,157
Total Expenses	3,111,859	2,953,132	2,874,101
Changes In Net Position	149,565	135,544	(141,935)
Ending Net Position	\$ 5,070,291	\$ 4,920,726	\$ 4,785,182

The District attempts to collect in property taxes the amount needed for principal and interest on its outstanding bonds less \$60,000 from excess operating funds from prior years. These increases were offset by a small decrease in the Conservation Trust Fund (lottery) entitlement.

Long-Term Debt Outstanding

	2022	2021	2020
General obligation bonds	\$ 7,405,000	\$ 7,685,000	\$ 7,955,000

Bond payments are made twice yearly (June 1 and December 1). The June payment includes only interest and the December payment includes both interest and principal. During 2022, the District paid down the principal by \$280,000 on the outstanding bonds. The bond payments are funded by the property tax revenue and specific ownership tax revenue received by the District.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

Budgetary Discussion

Following the partial closures in 2021 from the COVID-19 pandemic, the District budgeted for all business sectors to be fully operational in 2022.

All requests for Custodial Fund and Foundation expenditures are made by motion to the Board and are not authorized without specific Board approval.

Economic Factors and Rates

The District's facilities were fully open in 2022 following the partial closures in 2021 from the COVID-19 pandemic. As a result, operating revenues increase by 6.7% as compared to 2021. Management expects revenue to increase in 2023 as it implements price increases across all business sectors.

Contacting the District's Financial Management

This financial report is designed to provide our residents and future residents of Heather Gardens with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jerry Counts, Chief Financial Officer, at Heather Gardens Association, 2888 S. Heather Gardens Way, Aurora, CO 80014 or call 303-755-0652.

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2022

(With Comparative Totals As Of December 31, 2021)

Assets And Deferred Outflows Of Resources

	2022	2021
Current Assets		
Cash and cash equivalents	\$ 1,336,460	\$ 1,010,096
Investments	729,390	750,000
Property tax receivable	503,744	500,779
Accounts receivable, net of allowance for doubtful accounts of \$1,000 in both 2022 and 2021	7,376	24,789
Prepaid expenses	59,117	50,935
Inventory	43,040	41,182
Due from the Foundation	2,635	—
Other current assets	19,227	11,408
Total Current Assets	2,700,989	2,389,189
Noncurrent Assets		
Cash restricted	277,637	356,595
Nondepreciable capital assets	1,735,460	1,757,195
Intangible assets	133,190	133,190
Depreciable capital assets, net of accumulated depreciation of \$7,944,139 and \$7,401,522 in 2022 and 2021, respectively	8,467,068	8,822,103
Total Noncurrent Assets	10,613,355	11,069,083
Total Assets	13,314,344	13,458,272
Deferred Outflows Of Resources		
Deferred loss on 2010 bond refunding	582,096	614,585
Liabilities, Deferred Inflows Of Resources And Net Position		
Current Liabilities		
Accounts payable	7,404	61,972
Interest payable	24,683	25,617
Deposits	13,189	13,653
Due to the Association	136,705	114,306
Due to the Foundation	—	1,100
Unearned revenue	111,779	92,533
Unspent insurance claim	22,964	22,964
Current portion of bonds payable	290,000	280,000
Total Current Liabilities	606,724	612,145
Long-Term Liabilities		
Bonds payable	7,715,681	8,039,207
Total Liabilities	8,322,405	8,651,352
Deferred Inflows Of Resources		
Unearned property tax revenue	503,744	500,779
Net Position		
Net investment in capital assets	2,912,133	3,007,866
Restricted	293,532	352,058
Unrestricted	1,864,626	1,560,802
Total Net Position	\$ 5,070,291	\$ 4,920,726

HEATHER GARDENS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended December 31, 2022
(With Comparative Totals For The Year Ended December 31, 2021)

	2022	2021
Operating Revenue		
Recreation use fees	\$ 1,497,128	\$ 1,516,879
Golf course fees	451,488	445,303
Restaurant income	556,279	430,184
Clubhouse fees	169,366	116,158
Recreational vehicle lot rentals	30,577	26,165
Other operating revenue	3,046	3,704
Total Operating Revenue	2,707,884	2,538,393
Operating Expenses		
Clubhouse, golf course, recreational vehicle lot	1,418,697	1,318,651
Depreciation	551,681	574,695
Restaurant expenses	684,158	558,949
Professional services and insurance	112,991	133,299
Other operating expenses	7,013	30,984
Total Operating Expenses	2,774,540	2,616,578
Operating Loss	(66,656)	(78,185)
Nonoperating Revenue		
Property taxes	500,753	493,757
Specific ownership taxes	32,060	33,937
Conservation Trust Fund entitlement	20,182	20,726
Gain on disposition of assets	1,534	—
Investment earnings	15,802	1,863
Unrealized loss on investments	(16,791)	—
Total Nonoperating Revenue	553,540	550,283
Nonoperating Expenses		
Interest	306,466	317,300
Amortization of deferred loss on bond refunding and discount	32,489	32,489
Other nonoperating expenses	31,890	20,292
Amortization of bond premium, net	(33,526)	(33,527)
Total Nonoperating Expenses	337,319	336,554
Change In Net Position	149,565	135,544
Net Position - Beginning Of Year	4,920,726	4,785,182
Net Position - End Of Year	\$ 5,070,291	\$ 4,920,726

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

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	2022	2021
Cash Flows From Operating Activities		
Payments received from customers	\$ 2,740,344	\$ 2,573,818
Payments to suppliers for goods and services	(2,265,068)	(2,242,801)
Net Cash Provided By Operating Activities	475,276	331,017
Cash Flows From Noncapital Financing Activities		
Specific ownership taxes	32,060	33,937
Other nonoperating expenses	(31,890)	(20,292)
Net Cash Provided By Noncapital Financing Activities	170	13,645
Cash Flows From Capital And Related Financing Activities		
Property taxes levied for debt service, net	500,753	493,757
Principal paid on long-term debt	(280,000)	(270,000)
Interest paid on long-term debt	(307,400)	(324,385)
Conservation Trust Fund entitlement	20,182	20,726
Acquisition of property and equipment	(174,911)	(178,806)
Cash received from sale of property	1,534	—
Net Cash Used In Capital And Related Financing Activities	(239,842)	(258,708)
Cash Flows From Investing Activities		
Maturities of certificates of deposit	750,000	—
Purchase of investments	(746,181)	—
Investment earnings	7,983	1,863
Net Cash Provided By Investing Activities	11,802	1,863
Net Increase In Cash And Cash Equivalents	247,406	87,817
Cash And Cash Equivalents - Beginning Of Year	1,366,691	1,278,874
Cash And Cash Equivalents - End Of Year	\$ 1,614,097	\$ 1,366,691
Cash and cash equivalents	\$ 1,336,460	\$ 1,010,096
Cash restricted	277,637	356,595
Total Cash And Cash Equivalents - End Of Year	\$ 1,614,097	\$ 1,366,691
Supplemental Disclosure Of Cash Flow Information		
Unrealized loss on investments	\$ (16,791)	\$ —

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

Page 2 Of 2

	<u>2022</u>	<u>2021</u>
Reconciliation Of Loss From Operations To Net Cash Provided By Operating Activities		
Operating loss	\$ (66,656)	\$ (78,185)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	551,681	574,695
Changes in assets:		
Receivables	14,778	7,263
Prepaid expenses	(8,182)	(50,935)
Inventory	(1,858)	(2,928)
Changes in liabilities:		
Accounts payable	(55,668)	54,413
Due to the Association	22,399	(200,368)
Deposits	(464)	117
Unearned revenue	19,246	26,945
Net Cash Provided By Operating Activities	\$ 475,276	\$ 331,017

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

	Heather Gardens Foundation Custodial Fund	
	2022	2021
Assets		
Cash and cash equivalents restricted	\$ 40,018	\$ 38,293
Investments restricted	148,872	150,000
Due from the District	—	1,100
Total Assets	188,890	189,393
Liabilities		
Due to the District	2,635	—
Net Position		
Restricted	186,255	189,393
Total Net Position	\$ 186,255	\$ 189,393

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For The Year Ended December 31, 2022
(With Comparative Totals For The Year Ended December 31, 2021)

	Heather Gardens Foundation Custodial Fund	
	2022	2021
Additions		
Donations	\$ 3,308	\$ 2,956
Investment income on certificates of deposit	1,415	233
Total Additions	4,723	3,189
Deductions		
Other expenses	7,861	1,574
Change In Net Position	(3,138)	1,615
Net Position - Beginning Of Year	189,393	187,778
Net Position - End Of Year	\$ 186,255	\$ 189,393

HEATHER GARDENS METROPOLITAN DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2022

1. Definition Of Reporting Entity

The Heather Gardens Metropolitan District (the District), a quasi-municipal corporation, was formed April 5, 1983. It is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the City of Aurora, Arapahoe County, Colorado. The District was established to provide and operate park and recreation facilities and to improve and maintain Linvale Place within the District. The current activities of the District consist of recreational services and operations, the most significant of which is the operation of a public golf course and restaurant.

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

The District is not a component unit of any other governmental entity. The District's financial statements include the fiduciary activities of the Heather Gardens Foundation (the Foundation), a committee whose purpose is to enhance the quality of life and enjoyment of the residents. All members of the Heather Gardens Association (the Association) are members of the Foundation. The Foundation is primarily funded through donations. The Foundation is not a legally separate entity, and is therefore not considered a component unit of the District, but is considered a fiduciary fund as described in Note 2.

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

2. Summary Of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to state and local governmental units.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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

Measurement Focus And Basis Of Accounting

For financial reporting purposes, operations of the District's business type activities are reported as a single enterprise fund using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets, and redemption of bonds and loans is recorded as a reduction in liabilities. Fiduciary fund information is not included on the statement of net position, revenues, expenditures and changes in fund balance or on the statement of cash flows of the enterprise fund.

Additionally, the District reports the following fiduciary fund:

Custodial Fund

The Custodial Fund is fiduciary in nature and presents changes in fiduciary net position. The Custodial Fund is accounted for using the accrual basis of accounting. The fund accounts for assets held in a fiduciary capacity for the Foundation, which is to be used in the enhancement of the quality of life and enjoyment of the residents.

Operating Revenues And Expenses

The District's business-type activities distinguish between operating revenues and expenses and nonoperating items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the District's purpose of providing and operating park and recreation facilities and to improve and maintain a street within the District. Operating revenues consist of charges to customers for services provided. Operating expenses 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.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Budgetary Information

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

Cash Equivalents And Investments

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit are reported at cost.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is calculated using the straight-line method over the following estimated economic useful lives:

Buildings and improvements	7 - 39 years
Furniture and equipment	5 - 15 years

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties effective January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and tax sales of the liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources are recognized as revenue, and the receivable is reduced.

Net Position

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Comparative Data

The financial statements include certain prior-year comparative information in total, but not at the level of detail required for presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the 2021 District financial statements from which the summarized information was derived.

Deferred Outflows Of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The District has unearned property tax income. This item has been reported as deferred inflows on the statement of net position.

Subsequent Events

Management evaluates subsequent events through the date financial statements are available for issue, which is the date of the Independent Auditors' Report.

3. Cash, Cash Equivalents And Investments

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by 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 State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Federal Deposit Insurance Corporation coverage is \$250,000 per official custodian. At December 31, 2022, the District's cash deposits at financial institutions had a book balance of \$2,532,377 and a corresponding bank balance of \$2,524,600. Of the bank balance, \$1,254,463 was covered by federal depository insurance with multiple banks. The remainder of the bank balance, \$1,270,137, was collateralized with securities held by the pledging financial institution and covered by eligible collateral as determined by PDPA.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

As of December 31, 2022, the District's cash deposits and investments had the following book and bank balances:

	<u>Book</u>	<u>Bank</u>
Deposits with financial institutions - unrestricted	\$ 1,335,710	\$ 1,330,295
Deposits with financial institutions - restricted	317,655	317,258
Investments	878,262	877,047
Cash on hand	750	—
	<u>\$ 2,532,377</u>	<u>\$ 2,524,600</u>

At December 31, 2022, the District's cash and cash equivalents as reported in the financial statements are as follows:

	<u>Proprietary Fund</u>	<u>Foundation Fund</u>	<u>Grand Total</u>
Cash and cash equivalents	\$ 1,336,460	\$ —	\$ 1,336,460
Cash and cash equivalents restricted	277,637	40,018	317,655
	<u>\$ 1,614,097</u>	<u>\$ 40,018</u>	<u>\$ 1,654,115</u>

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

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

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Interest Rate Risk

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

The District generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Restricted Cash And Investments

In accordance with Colorado Revised Statutes, the District maintains a separate bank account for the Custodial Fund. At December 31, 2022, the balance of this fund was \$40,018. The Custodial Fund also held \$148,872 in investments as of December 31, 2022.

The District restricted cash to meet the bond reserve requirements for servicing the bonds in the amount of \$127,417 at December 31, 2022.

In accordance with Colorado Revised Statutes, the District maintains a separate bank account for the Conservation Trust Fund entitlement. At December 31, 2022, the balance of these funds were \$149,823.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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 unobservable inputs; and Level 3 inputs are significant unobservable inputs.

The District had a recurring fair value measurement for U.S. government and U.S. treasury securities of \$878,262 as of December 31, 2022. The securities are measured using Level 2 inputs. They are measured by a third-party custodian utilizing actual transactions of similar securities, with the same rating and structure, as of that point in time. These measurements are based on various market and industry inputs, including institutional bond quotes, market prices and independent market data analysis.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

Investments by fair value level as of December 31, 2022 are as follows:

Investments By Fair Value Level	December 31, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. agency notes	\$ 246,122	\$ —	\$ 246,122	\$ —
U.S. treasury notes	632,140	—	632,140	—
Total Investments By Fair Value Level	\$ 878,262	\$ —	\$ 878,262	\$ —

At December 31, 2022, the District had the following investments and maturities:

Investment Type	Fair Value	S&P Rating	Maturity
U.S. agency notes	\$ 246,122	AA+	2024
U.S. treasury notes	632,140	AAA	2023 - 2024
Total Investments	\$ 878,262		

4. Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2022 is as follows:

	Balance - January 1, 2022	Additions/ Transfers	Deletions/ Transfers	Balance - December 31, 2022
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$ 1,725,000	\$ —	\$ —	\$ 1,725,000
Construction in progress	32,195	10,460	(32,195)	10,460
Intangible asset (City of Aurora water rights)	133,190	—	—	133,190
Total Nondepreciable Capital Assets	1,890,385	10,460	(32,195)	1,868,650
Depreciable Capital Assets				
Property and equipment	13,371,518	171,352	—	13,542,870
Furniture and equipment	1,286,777	14,997	(9,064)	1,292,710
Restaurant equipment	218,793	10,297	—	229,090
Restaurant and pro shop renovation	1,346,537	—	—	1,346,537
Total Depreciable Capital Assets	16,223,625	196,646	(9,064)	16,411,207
Total Capital Assets	18,114,010	207,106	(41,259)	18,279,857
Accumulated Depreciation	(7,401,522)	(551,681)	9,064	(7,944,139)
Net Depreciable Capital Assets	8,822,103	(355,035)	—	8,467,068
Total Capital Assets, Net Of Depreciation	\$ 10,712,488	\$ (344,575)	\$ (32,195)	\$ 10,335,718

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

5. Long-Term Obligations

The following is an analysis of changes in long-term obligations for the year ended December 31, 2022:

	Balance - January 1, 2022	Additions	Reductions	Balance - December 31, 2022	Due Within One Year
Series 2017 General Obligation Refunding Bonds	\$ 7,685,000	\$ —	\$ (280,000)	\$ 7,405,000	\$ 290,000
Premium on Series 2017 General Obligation Refunding Bonds	634,207	—	(33,526)	600,681	33,526
Total Long-Term Obligations	\$ 8,319,207	\$ —	\$ (313,526)	\$ 8,005,681	\$ 323,526

Bonds Payable

In November 2017, the District issued \$8,025,000 of General Obligation Refunding Bonds, Series 2017, with interest rates ranging from 3.98% to 4.00%, for the purpose of advance refunding a portion of the General Obligations Bonds, Series 2010, with an interest rate ranging from 1.25% to 5.25%. The refunding resulted in a present value savings from the cash flow of \$1,149,527 and an economic loss on the refunding of \$747,249.

Bond and coupon payments to maturity are as follows:

Year	Principal	Interest	Total
2023	\$ 290,000	\$ 296,200	\$ 586,200
2024	300,000	284,600	584,600
2025	315,000	272,600	587,600
2026	325,000	260,000	585,000
2027	340,000	247,000	587,000
2028 - 2032	1,900,000	1,021,000	2,921,000
2033 - 2037	2,315,000	608,800	2,923,800
2038 - 2042	1,620,000	131,200	1,751,200
	\$ 7,405,000	\$ 3,121,400	\$ 10,526,400

6. Net Position

District Net Position

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

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction or improvement of those assets.

As of December 31, 2022, the District had net position invested in capital assets, which is calculated as follows:

Capital assets - net of accumulated depreciation	\$ 10,335,718
Capital-related borrowings	(8,005,681)
Deferred loss on 2010 bond refunding	<u>582,096</u>
	<u>\$ 2,912,133</u>

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had the following restricted net position as of December 31, 2022:

Restricted	
TABOR emergency reserves	\$ 15,984
Conservation Trust Fund	149,735
Debt service	<u>127,813</u>
Total	<u>\$ 293,532</u>

Emergency reserves have been provided for as required by Article X, Section 20, of the Constitution of the State of Colorado, otherwise known as the Taxpayer Bill of Rights (TABOR). A portion of the net position has been restricted in compliance with this requirement.

Debt service restricted net position represents amounts restricted for future payment of general obligation bond principal, interest and related costs.

The Conservation Trust Fund's restricted net position represents the net unspent proceeds received from the State Lottery for the Conservation Trust Fund.

Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted.

Fiduciary Net Position

The Foundation has net position that is restricted. The restricted net position represents the net unspent proceeds of contributions received for the Foundation. The Foundation is a District operation and is not a legally separate entity.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

The Foundation had the following restricted net position as of December 31, 2022:

Restricted Foundation	<u>\$ 186,255</u>
Total	<u><u>\$ 186,255</u></u>

7. Risk Management

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability and boiler and machinery insurance coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

8. Heather Gardens Association

The District has entered into a management agreement with the Association, a homeowners association for the members who own units within the District's boundaries.

Under the terms of the agreement, the District designated the Association as the District's agent to operate, manage and supervise the properties and facilities of the District. The District makes all decisions relative to the District's capital reserves. The final responsibility and authority for the District's property remains with the District. The Association shall take reasonable steps to collect and enforce the collection of all fees, charges, rents and other sums arising from the use of District property. The Association transfers all expenses of the clubhouse, golf course and restaurant to the District monthly.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

The District permits the members of the Association use of the District facilities on a nonexclusive basis with other members of the general public. The District also permits the Association to share office space at no cost, the value of which is offset by the services provided under the management agreement and therefore is insignificant and not reflected in the financial statements.

At December 31, 2022, there was \$136,705 balance due to the Association.

9. Tax, Spending And Debt Limitations

TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses 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 that its operations qualify for this exclusion; however, management has elected to adopt certain provisions of TABOR with respect to property tax revenue collected by the District.

Spending and revenue limits are determined based on the prior fiscal year's 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 enterprise operations and 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.

Supplementary Information

The schedule of revenues, expenditures and changes in funds available - budget and actual (budgetary basis) is presented to demonstrate compliance with a resolution of the Board of Directors, which established a TABOR enterprise for the District's qualifying operations.

HEATHER GARDENS METROPOLITAN DISTRICT

PROPRIETARY FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) For The Year Ended December 31, 2022

	Original And Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Recreation use fees	\$ 1,496,736	\$ 1,497,128	\$ 392
Golf course fees	426,008	451,488	25,480
Restaurant income	603,015	556,279	(46,736)
Clubhouse fees	173,270	169,366	(3,904)
Recreational vehicle lot rentals	29,520	30,577	1,057
Other operating revenues	—	3,046	3,046
Property taxes	500,785	500,753	(32)
Specific ownership taxes	33,500	32,060	(1,440)
Conservation Trust Fund entitlement	19,000	20,182	1,182
Investment loss	1,732	(989)	(2,721)
Total Revenues	3,283,566	3,259,890	(23,676)
Expenditures			
Operating:			
Clubhouse, golf course, recreational vehicle lot	1,487,149	1,418,697	68,452
Restaurant expenses	703,831	684,158	19,673
Professional services	79,025	62,056	16,969
Insurance	56,690	50,935	5,755
Other operating expenses	4,784	7,013	(2,229)
Debt service:			
Principal	280,000	280,000	—
Interest	306,470	306,466	4
Other nonoperating expenses	—	23,369	(23,369)
County Treasurer's collection fees	7,915	7,521	394
Bank payee fee	1,400	1,000	400
Capital outlay	397,293	174,911	222,382
Total Expenditures	\$ 3,324,557	3,016,126	\$ 308,431
Excess Of Revenues Over Expenditures		243,764	
Adjustments to GAAP basis:			
Depreciation		(551,681)	
Bond principal payments		280,000	
Amortization of bond premium, net		33,526	
Amortization of deferred loss on bond refunding and discount		(32,489)	
Capital outlay		174,911	
Gain on sale of asset		1,534	
Changes In Net Position Per Statement Of Revenues, Expenses And Changes In Net Position - GAAP Basis		\$ 149,565	

HEATHER GARDENS METROPOLITAN DISTRICT

NOTE TO BUDGETARY COMPARISON SCHEDULE

Budgets And Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the budgetary schedule:

1. Prior to September 1, the District obtains budget requests from various department heads.
2. Prior to October 15, the proposed budget is submitted to the Board of Directors.
3. By December 15, the District must certify the levy to the County Commissioners.
4. By December 15, the Board enacts a resolution appropriating the budget.
5. Department heads are required to submit budget change requests after initial approval to the Board of Directors.
6. Supplemental requests are gathered by the Board of Directors. The Board of Directors will hold formal public hearings prior to approving the increased budget and appropriations.
7. Budgets for the Proprietary Fund are adopted on a basis consistent with GAAP with the following exceptions:
 - a. Depreciation, amortization of bond premium, net and amortization of deferred loss on bond refunding and discount are not budgeted expenses.
 - b. Bond principal payments and capital outlay are budgeted expenses.