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Independent Auditors' Report

Board of Directors
Heather Gardens Metropolitan District
Aurora, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the Heather Gardens Metropolitan District (the District) as of and for the year ended December 31, 2014, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 District'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 District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2014, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budget schedule and note on pages 25 and 26, 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. Such 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.

Report On Summarized Comparative Information

We have previously audited the District's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

April 9, 2015

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2014

(With Comparative Totals As Of December 31, 2013)

	Assets	
	2014	2013
Current Assets		
Cash and cash equivalents (Note 3)	\$ 1,443,849	\$ 1,004,199
Property tax receivable	610,313	591,972
Accounts receivable, net of allowance for doubtful accounts of \$3,945 and \$2,121 in 2014 and 2013, respectively	7,165	5,237
Prepaid expenses	36,581	—
Inventory	11,397	—
Other current assets	10,970	—
Total Current Assets	2,120,275	1,601,408
Noncurrent Assets		
Cash restricted (Note 3)	405,239	676,222
Nondepreciable assets (Note 4)	1,725,000	1,725,000
Other intangible assets (Note 4)	133,190	133,190
Depreciable assets, net of accumulated depreciation of \$3,143,035 in 2014 and \$2,573,033 in 2013 (Note 4)	12,160,674	12,262,314
Total Noncurrent Assets	14,424,103	14,796,726
Total Assets	16,544,378	16,398,134
Liabilities, Deferred Inflows Of Resources And Net Position		
Current Liabilities		
Accounts payable	18,634	—
Interest payable	37,513	37,513
Deposits	1,543	—
Due to Heather Gardens Association	88,531	49,891
Unearned revenue	17,215	21,103
Deferred insurance claim	197,528	—
Current portion of capital lease	18,566	17,225
Current portion of bonds payable	200,000	195,000
Total Current Liabilities	579,530	320,732
Long-Term Liabilities		
Capital lease obligation (Note 5)	12,414	30,985
Bonds payable (Note 5)	8,971,111	9,170,577
Total Long-Term Liabilities	8,983,525	9,201,562
Total Liabilities	9,563,055	9,522,294
Deferred Inflows Of Resources		
Unearned property tax revenue	610,313	591,972
Net Position		
Net investment in capital assets (Note 6)	5,252,992	5,301,276
Restricted (Note 6)	761,323	393,527
Unrestricted	356,695	589,065
Total Net Position	\$ 6,371,010	\$ 6,283,868

See the accompanying notes to basic financial statements.

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For The Year Ended December 31, 2014

(With Comparative Totals For The Year Ended December 31, 2013)

	2014	2013
Operating Revenue		
Recreation use fees	\$ 1,214,540	\$ 1,046,657
Restaurant income	12,000	38,334
Golf course fees	286,024	287,855
Community center fees	124,757	186,260
Recreational vehicle lot rentals	33,159	26,174
Other operating revenue	6,134	6,013
Total Operating Revenue	1,676,614	1,541,293
Operating Expenses		
Community center, golf course, recreational vehicle lot	1,142,181	1,155,464
Professional services and insurance	48,756	40,802
Depreciation	585,282	562,853
Foundation expenses	3,719	3,901
Other operating expenses	1,116	1,669
Total Operating Expenses	1,781,054	1,764,689
Loss From Operations	(104,440)	(223,396)
Nonoperating Revenue		
Property taxes	592,395	622,680
Donations	3,885	6,385
Specific ownership taxes	41,914	41,996
Investment income	143	807
Conservation Trust Fund entitlement	14,139	15,519
Total Nonoperating Revenue	652,476	687,387
Nonoperating Expenses		
Interest	447,289	452,342
Loss on disposal of assets	3,719	5,472
Other nonoperating expenses	9,886	10,340
Total Nonoperating Expenses	460,894	468,154
Changes In Net Assets	87,142	(4,163)
Net Position - Beginning Of Year	6,283,868	6,288,031
Net Position - End Of Year	\$ 6,371,010	\$ 6,283,868