



**NOTICE OF HGMD BOARD OF DIRECTORS REGULAR MEETING  
April 20, 2023 at 1:00 PM**

Pursuant to Section 24-6-402(2)(c), C.R.S., the Board of Directors of the Heather Gardens Metropolitan District hereby gives notice that it will hold a regular meeting at the Heather Clubhouse in the board room and via Zoom videoconference at **1:00 PM on April 20, 2023**. The business meeting will be held for the purpose of conducting such business as may come before the Board. This meeting is open to the public.

**Join Zoom Meeting**

<https://us06web.zoom.us/j/88176268349?pwd=YmYwTkxKZXFwRlpSRXpwMTIYNUxnQT09>

**Meeting ID: 881 7626 8349**

**Password: 345692**

or

**Dial-In Number: +1 346 248 7799 US**

**AGENDA**

1. Determine quorum present
2. Call meeting to order
3. President Remarks
4. Approval of/additions to/deletions from the agenda
5. Approval of Minutes
  - a. Consider Approval of Minutes of March 23, 2023, Special Meeting
  - b. Consider Approval of Minutes of April 11, 2023, Special Meeting
6. Reports of Directors, committees, and professional consultants
  - a. CEO (Rea) – April 18, 2023, Reports
  - b. Enterprise Advisory Group (Mines) – April 10, 2023 Update
  - c. Foundation Committee (Laubach) – April 12, 2023, Report
  - d. Joint Long Range Planning Committee (Funk) – April 13, 2023, Update
  - e. Treasurer’s Report (Archambault) – April 2023, Report
  - f. Joint Budget and Finance Committee (Archambault) – April 17, 2023, Update
7. Unfinished Business
8. New Business
  - a. Consider Accepting and Approving the 2022 HGMD Audit Report
  - b. Consider Approval of the B&F Joint Procedure Memorandum (JPM B-1)
  - c. Consider Approval of Extending the Audit Subcommittee Memberships Term
  - d. Recognition of National Volunteer Week April 16 – 22
9. Open Forum – Public comment (time limit-3 minutes per person)
10. Adjournment

**Note:** HGMD regular Board meetings, when held, are on the third Thursday of each month at 1:00 PM. Residents wishing to speak on agenda items will be given the opportunity at the time the item is discussed (time limit-3 minutes per person).

**The next regular meeting is on May 18, 2023, at 1:00 pm.**

**HEATHER GARDENS METROPOLITAN DISTRICT  
SPECIAL MEETING  
Thursday, March 23, 2023**

The special meeting of the Board of Directors of the Heather Gardens Metropolitan District was held via Zoom/Telephone in the Heather Gardens Clubhouse at 2888 S. Heather Gardens Way, Arapahoe County, Colorado, on Thursday, March 23, 2023, at 1:00 P.M.

**CALL TO ORDER:** President Funk called the meeting to order at approximately 1:00 P.M. on Thursday, March 23, 2023. A quorum was present.

**BOARD MEMBERS PRESENT:** President David Funk, Vice President Eloise Laubach, Secretary/Treasurer William Archambault and Directors Maria Mines and Mitch Albert

**BOARD MEMBERS ABSENT:** None.

**STAFF PRESENT:** Chief Executive Officer (CEO) Jon Rea, Chief Financial Officer (CFO) Jerry Counts, and Administration Manager Evelyn Ybarra.

**GUESTS PRESENT:** Karlie R. Ogden, Icenogle Seaver Pogue, P.C., 5 members of the Heather Gardens Association Board, Lynn Donaldson with Heather 'n Yon, and approximately 15 members of the public were present.

**PRESIDENT REMARKS:** President Funk read the following remarks:

The conduct of each member of this Board has always been honest, candid, and forthright. Above all, each member has conducted their responsibilities fiduciarily and lawfully.

The first issue has to do with Regular Board meetings versus Special Board meetings. Regular board meetings are scheduled and are defined in the District's bylaws as occurring on the third (3<sup>rd</sup>) Thursday of each month at 1:00 p.m. unless otherwise designated by the Board. These meetings are generally held as scheduled except for certain circumstances which could impact the utility of the meeting (e.g., the lack of a quorum due to illness or other absence of a board member; the lack of certain information which is necessary to conduct the meeting; other unforeseen circumstances, technical or otherwise) that would cause the meeting to be canceled or postponed.

The Joint Budget and Finance Committee has regularly scheduled meetings on the third Monday of every month. During most months, the third Monday occurs before and during the same week as the third Thursday occurs. However, there are months each

year that begin on either a Tuesday, Wednesday, or Thursday where the third Thursday occurs before the occurrence of the third Monday, so as a matter of consideration, this Board has traditionally moved its meeting to the fourth Thursday so potentially important information from the Joint Budget and Finance Committee can be appropriately presented to the Board. When this meeting day change is predicted to occur, it is noted on the monthly Boards and meetings calendar, which is published in the Heather 'n Yon and online at the District's website. The next meeting of the Board is also noted at the bottom of the current meeting agenda and reflects the date and time of the next meeting. The meeting of the District Board, which occurs on this other date, is noted as a Special Meeting solely because it is not occurring on the "regular day" (the third Thursday.) With this information in mind, it should be noted that this change of day occurred in February, March, June, September, November, and December in 2022. That is six months out of 12 or 50% of the meetings. Similar patterns occurred in 2021 with 5 such days and in 2020 with 6 such days.

Notices of the meetings are required by law. The law is clear for both Regular Meetings and Special Meetings: Electronic Notices with specific agenda information, if available, must be posted to the District's website no less than 24 hours prior to holding the meeting. 24 Hour Notice (Non-Electronic) in addition to any other means of full and timely notice, a District will be deemed to have given full and timely notice if the notice of the meeting is posted in a designated public place within the District no less than 24 hours prior to the holding of the meeting. This "public place" is designated every year as required by law and is the Clubhouse bulletin board in the hallway near the Boardroom and the bulletin boards on the first floor. This 24-hour posting can be utilized in addition to or in place of posting on a public website. However, this posting of notice is not required if the District posts its meeting notices on its website. At Heather Gardens, we do both.

You may ask yourself, "Why are you telling us this stuff?" and "Why does it matter?" Here is why: A paid advertisement appeared in the March issue of Heather 'nYon where the author of the advertisement implies that the circumstances I just described to you are somehow improper. Let me be clear. There is no sinister plot by this Board to "significantly reduce community participation," as stated in this misinformation piece.

The second issue has to do with Committees. Historically, committees were created to do some function within an organization, the benefits of which could be brought to the decision-makers for consideration and further action as necessary. Most people do not realize that there is no requirement for the existence of committees in the structure of Special Districts in Colorado. The District's Board of Directors has the sole authority for the Board's decisions. The bylaws of each District spell out what that District's structure

is, how it does business, and how it can change those elements. A change to the committee structure was envisioned by the Board to be more effective and efficient. Consolidation of many committees into an advisory group does not change the importance of their mission. The Advisory Group approach places a larger number of people (more minds/more ideas) in an arena to understand and advise on a broader view of the organization rather than view issues only in the context of a particular subject or perspective. This panoptic approach, instead of a myopic view of challenges, can often result in better decisions. Having specialized committees does not necessarily provide the best way to do business. Often specialization creates circumstances where information is not shared as freely as is beneficial between or with other elements of the organization. Organizations can be faced with specialized groups which perceive that their group is “the most important” to the organization, which further complicates communications. This is called siloing and is often a real detriment to the organization. By removing the barriers, whether actual or perceived, members of the group can often contribute more freely, ask questions more confidently and in general, make better assessments of the opportunities they encounter. They can work together in support of the Districts Enterprises rather than inappropriate, ineffective, and unnecessary micromanagement of a particular area of interest. The HGMD Board did not eliminate anything by consolidating to form the Enterprise Advisory Group. In fact, every person who was on one of the committees was included in the membership of the new Group if they wanted to continue their service. New members were also added. The possibilities for better communication and results were broadened. The implication that this sort of positive, constructive collaboration is wrong is simply misguided. Discrediting this Board with contrived innuendo and implied impropriety is what is unacceptable.

As a Board, we should always seek better ways to do things, not simply cling to old ways of doing things because it is how we’ve always done it. Changing the structure of the District is a positive thing. I believe the members of the Enterprise Advisory Group also think it is a good thing. We as a Board have a responsibility to not only manage change but, in a real sense, we must provoke it.

The third issue has to do with slander and libel of the members of this Board. In a letter to the editor of the March 2023 Heather ‘n Yon, the author, after offering a contrived list of “communication requirements” of the Board, some of which are the very circumstances I spoke of as the first issue (i.e., timeliness of notices and regular meeting schedules) he states the following: “Sadly the last couple of years – all of these examples have been overlooked and in some cases, violate state statutes.”

I will not dignify this diatribe by reading the entirety of this letter to you today, but you should read it so that you can understand not only his attempt to provide a false

narrative that is derogatory and disparaging to the Board but also the criminal aspect of what this person is writing. Libel is defined as “a published false statement that is damaging to a person’s reputation; a written defamation. His lie is libel in the truest sense.

I will state this clearly, plainly, and unmistakably; This Board has never committed any violation of Colorado Statutes in the conduct of the business of this Special District.

The Heather Gardens Metropolitan District receives its authority, guidance, and constraint from the laws of Colorado and the governance documents promulgated by the Board of Directors. (Policies, Bylaws, Rules and Regulations, etc.) The Board has always acted within its authority. The Board contracts the services of the legal counsel for consultation regarding not only special legal matters but also matters that can affect the Board or its members on a daily basis. Council routinely reviews agendas, meeting informational packets, and meeting notices and usually has a presence at our meetings.

Despite these undesirable and unpleasant occurrences, this Board will continue to serve our community responsibly with integrity and respect. This Board deserves nothing less from our community.

**APPROVAL OF MINUTES:** Motion made by Vice President Laubach, seconded by Director Mines and passed unanimously to approve the minutes of February 23, 2023, Special Meeting, as written.

#### **REPORTS OF DIRECTORS, COMMITTEES, AND PROFESSIONAL CONSULTANTS:**

**Chief Executive Officer (CEO) Report:** The Board received a copy of the CEO’s Statement of Work (SOW). CEO Rea reported the “Spring Craft Fair” held in the Clubhouse starts tomorrow and runs through the weekend. Every year it continues to grow with lots of vendors. Today’s event, “Lunch with a Cop,” held in the Rendezvous Restaurant, was a great turnout. The Senior Safety Seminar was also held this week with guest speakers Aurora Chief Officer Art Acevedo, Senior Resources Officer Jim Seneca, and Traffic Officer Dennis Dempsey. There were no questions or comments on the SOW report.

**Enterprise Advisory Group (EAG):** Director Mines reported the work session last week went well. President Funk provided a presentation slide regarding the members’ goals for working with management. The members will continue to work on finalizing the EAG-1 procedure memorandum. In addition, a proposal was submitted for a dog park that the members were researching to provide the pros/cons at next month’s meeting.

**Foundation Committee:** No meeting. Vice President Laubach reported in their last

meeting a question came up about the status of the Foundation being a 501(c)(3). She was tasked to research the matter. Vice President Laubach researched records from 2010 and found no information designating the Foundation as a 501(c)(3). She also met with CEO Rea and CFO Counts. CFO Counts did extensive research, received feedback from the District's auditors Rubin Brown, and studied the tax code. The documentation they found was distributed to the Board. Vice President Laubach confirmed that even though the Foundation is not a 501(c)(3), the donations are tax-deductible under IRS code 26 U.S.C 170(c)(1) - a gift to a local government entity is tax deductible if it is solely for "public purposes." Vice President Laubach had discussed with CFO Counts whether to apply for 501(c)(3), and CFO Counts did not think it would be a good idea because they would need to file a Form 990, which is a tax return. Vice President Laubach suggested to the Board not to apply for a 501(c)(3).

Secretary/Treasurer Archambault moved not to recommend applying for a 501(c)(3) as designated for the Foundation since contributions to the Foundation are already tax deductible, seconded by Vice President Laubach, and passed unanimously.

**Joint Long Range Planning Committee (JLRPC):** No meeting.

**Treasurer's Report:** The Board received a copy of the Treasurer's report. There were no questions or comments.

**Joint Budget and Finance Committee:** The Board received a copy of the Joint Budget and Finance Report. Secretary/Treasurer Archambault reported there was a separate meeting held to discuss the bank accounts due to concerns about a couple of recent bank failures in the United States. Both HGA and HGMD use KeyBank here in Colorado. Most of the money in the checking accounts was transferred into Money Market accounts backed up by the US Treasury and are triple-A rated. The Committee did not make a recommendation on changing banks and will continue to monitor this issue and report back if recommendations change. CFO Counts did a great deal of research on the banks and presented very good information. The Committee will hold a work session in person and via Zoom on April 4 at 1:00 p.m. along with Board members to discuss the revisions to the Joint Budget and Finance Procedure Memorandum JPM B-1 that are posted and available on the website. The community was asked to submit questions/comments to HGA Treasurer Terry Hostetler prior to the work session. There were no questions or comments.

**UNFINISHED BUSINESS:**

- a) **Approval of Repayment of Administrative Fees to the Foundation Fund:** Motion made by Vice President Laubach and seconded by the Secretary/Treasurer Archambault and passed unanimously.

Text of Motion: I move that the Heather Gardens Metropolitan District Board of Directors appropriate \$8,922.45 in the 2024 Heather Gardens Metropolitan District budget and allocate it to the Foundation Fund to repay administrative fees collected from 2019 through 2022. The dollar amount should not be used in the calculation of the recreation fee.

**NEW BUSINESS:**

- a) **Approve Using Lottery Funds for Pickleball Equipment and Painting of the Court (\$4,028):** Motion made by Director Mines and seconded by Director Laubach as amended and passed unanimously.

Text of Motion: Based on the recommendation of the Enterprise Advisory Group, I move that the Heather Gardens Metropolitan District Board of Directors approve using Lottery Funds for pickleball equipment and painting of the court at the cost of \$4,028 plus a change order of \$403 for a total of \$4,431 not to exceed without further Board approval.

Note: The president of the pickleball club stated that if the amount goes over, they will pay the difference using their club funds. It was clarified that any money put in by the club is a donation to the District for community use.

- b) **Approve Using Lottery Funds for a Ping-Pong Table and Balls (\$300):** Motion made by Director Mines and seconded by Vice President Laubach as amended and passed unanimously.

Text of Motion: I move that the Heather Gardens Metropolitan District Board of Directors approve using Lottery Funds for a ping-pong table and balls at the cost of \$300 and not to exceed \$300 without further Board approval.

- c) **Motion to Approve the Contract for Election Services:** Motion made by Secretary/Treasurer Archambault and seconded by Vice President Laubach and passed (3 For and 2 (President Funk and Director Mines) Abstained due to running for re-election).

Text of Motion: I move that the Heather Gardens Metropolitan District Board of Directors approve the Contract for Election Services Agreement with Public Alliance, LLC, for a total estimated amount of \$23,473 with a change order of 20%. This is a budgeted expense. Funds were appropriated for this purpose in the 2023 budget.

- d) **Approval of Matters Related to Heather Gardens Metropolitan District Election:** Motion made by Vice President Laubach and seconded by

Secretary/Treasurer Archambault and passed (3 For and 2 (President Funk and Director Mines) Abstained due to running for re-election)

Text of Motion: I move that the Heather Gardens Metropolitan District Board of Directors approve the following matters as related to the Heather Gardens Metropolitan District Election:

1. Instruct Evelyn Ybarra, Assistant to the Boards, to plan and administer a moderated “Meet the Candidates” event which will be held for the community on Saturday, April 15, 2023, at 10:00 a.m. in the Heather Gardens Sandberg Auditorium and on Zoom. The details of such event and further instructions for the participating candidates will be provided as soon as practicable by the Assistant to the Boards. The utilization of necessary additional staff and resources is supported by this Board.
2. Instruct Evelyn Ybarra, Assistant to the Boards, to collect from the candidates a picture and a short biographical profile (not to exceed 200 words). The picture and biographical profile must be submitted no later than March 31, 2023, at 4:00 p.m.
3. Instruct Evelyn Ybarra, Assistant to the Boards, to have pictures and biographical profiles published on the Heather Gardens Metropolitan District website no later than Friday, April 7, 2023. Additionally, these pictures and biographical profiles may be submitted to the Heather ‘n Yon periodical.

**OPEN FORUM:**

A resident commented in the previous minutes about the carryforward capital projects that were missed and approved in the February meeting and asked if it would affect the carryforward approved in January. Secretary/Treasurer Archambault commented it is an addition to the carryforward amount approved in January. President Funk also commented it is carryforward spending authority for that money which is not allocating or appropriating any funds for this year.

**ADJOURNMENT:** Upon motion by Secretary/Treasurer Archambault, seconded by Vice President Laubach, and passed unanimously, the meeting adjourned at 1:51 P.M.

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William Archambault, Secretary/Treasurer



**HEATHER GARDENS METROPOLITAN DISTRICT  
SPECIAL MEETING  
Tuesday, April 11, 2023**

The special meeting of the Board of Directors of the Heather Gardens Metropolitan District was held in the Heather Gardens Clubhouse board room at 2888 S. Heather Gardens Way, Arapahoe County, Colorado, and via Zoom videoconference on Tuesday, April 11, 2023, at 3:30 P.M.

**CALL TO ORDER:** President Funk called the meeting to order at approximately 3:30 P.M. on Tuesday, April 11, 2023. A quorum was present.

**BOARD MEMBERS PRESENT:** President David Funk, Vice President Eloise Laubach, Secretary/Treasurer William Archambault and Directors Maria Mines and Mitch Albert.

**BOARD MEMBERS ABSENT:** None.

**STAFF PRESENT:** Chief Executive Officer (CEO) Jon Rea and Administration Manager Evelyn Ybarra.

**GUESTS PRESENT:** Jennifer L. Ivey, Icenogle Seaver Pogue, P.C., and one member of the public were present.

**EXECUTIVE SESSION:** Motion made by President Funk to convene into an Executive Session pursuant to Section 24-6-402(4)(b), C.R.S., for the purpose of receiving legal advice on specific legal questions regarding campaign interference letter. The motion was seconded by Secretary/Treasurer Archambault and passed unanimously for the Board to convene into Executive Session at 3:34 p.m.

Ms. Ivey stated they have convened into Executive Session today, April 11, 2023 at 3:34 p.m. She will provide legal advice to the Board of Directors, which is subject to the attorney client privilege, and therefore pursuant to state statute no further recording of the Executive Session will be made.

Motion made by Vice President Laubach to close the Executive Session and reconvene the public meeting, seconded by Secretary/Treasurer Archambault and passed unanimously. The Board reconvened the public meeting at approximately 4:28 p.m. It was confirmed there were no members of the public waiting to reconvene.

**RESPONSE TO CAMPAIGN INTERFERENCE LETTER:** Secretary/Treasurer Archambault moved that the Heather Gardens Metropolitan District Board of Directors direct the Board attorney not to respond to the latest letter from Daniel J. Taylor, seconded by Vice President Laubach, and passed (3 For and 2 Abstained). President Funk and Director Mines abstained as the motion was related to the election.

Secretary/Treasurer Archambault moved that the Heather Gardens Metropolitan District Board of Directors reaffirm the motion made during the Special Board Meeting March 23, 2023 regarding the “Meet the Candidates” event to be held on April 15, 2023 and the rules that have been provided by Assistant to the Boards, seconded by Vice President Laubach and passed (3 For and 2 Abstained). President Funk and Director Mines abstained as the motion was related to the election.

**OPEN FORUM:** No members of the public were present to provide comments.

**ADJOURNMENT:** Upon motion by Secretary/Treasurer Archambault, seconded by Vice President Laubach, and passed unanimously, the meeting adjourned at 4:31 P.M.

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William Archambault, Secretary/Treasurer

DRAFT

**CEO Department Report  
Statement of Work (SOW)  
April 18, 2023**

**End of Month Statement of Work Report - March 2023**

**HGMD**

**Clubhouse**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Spring Registration	Complete Registration with Registrations	100	X		3/21/23
Install Stage Skirt	Install	100	X		3/31/23
Spring Craft Fair	Prep/Plan/Event	100	X		3/24/23
Flea Market	Prep/Planning	60	X		6/24/23
Resource Fair	Keep Stage looking nice	50	X		6/30/23
Memorial Day Event	Be prepared/Planning Etc	30	X		5/29/23
Auditorium Sound Maintenance	Function equipment	10	X		4/28/23

**Golf**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Update Rules for COVID-19 Play	Local Rules	100	X		3/31/23
Conduct Safety Meeting	Maintenance	100	X		3/31/23
Continue ordering products for 2023	Customer Service	100	X		3/31/23
Put new merchandise on floor	Customer Service	100	X		3/31/23
Attend Ladies League new member meeting	Customer Service	100	X		3/31/23
Talk with ForeUp about CC processing	Financial savings	100	X		3/31/23
Attend Mens League Luncheon	Customer Service	100	X		3/31/23
Begin collecting outside league contracts	Customer Service	75	X		4/15/23

**Restaurant**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Get patio ready for the upcoming season		100	X		4/30/23
Facebook and social media platform work with golf		100	X		3/31/23
update banquet menus and pricing to reflect the cost of goods		100	X		3/31/23
Get summer menu with new offerings and prices done		50	X		4/20/23
Create new table booklet featuring summer cocktails and beverages		50	X		4/30/23
Work with Jon nad Don on the freezers project		30		X	2/1/23
Research special event opportunities / weddings etc.		30	X		3/31/23
Hire some summer part-time servers		25	X		5/1/23

**HGA**

**CEO/General**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Maintenance Schedule Review	On-CALL/Possible Changes	100	X		3/6/23
Uniform/Identification Project/Program	Review Current/Establish New (PPD)	100	X		2/28/23
Staffing Review/Considerations	Utilization/Optimization Exercise	100	X		3/31/23
Comcast Phase 4 - Fiber	Misc Comms, Planning	99		X	2/28/23
L/J Misc. Contract Renewal	August Expiration/Vet Vendors --> Proposal/Recommendation	95	X		3/31/23
HGA/HGMD Access Control Project	Assessment of Access/Needs/Floorplan Review/Vetting of Vendors --> Proposal/Recommendation	75		X	12/31/22
Starry Phase 3 Addendum	Assemble Addendum w/ Feedback - Multiple Attempts to Contact	75	X		ASAP
Declaration Revisions	Misc Updates/Considerations/Discuss at Retreat (TBD)	50	X		ASAP
Misc Postion Fill	Admin & Ops	50		X	2/28/23
Capital Reserve Database	Compenry Review/Changes	50		X	1/31/23
Strategic Capital Reserve/Plan	Meeting/Follow Up LRP/Maint Etc.	15	X		ASAP

**CFO/Accounting**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
AR/Billing/Prop Mgt in Jenark	General cleanup	95		X	4/30/23
2022 Audit for HGA and HGMD	Final Audit report to B&F in April 2023	90	X		4/18/23
Review each direct report processes	Sit down and review with each team member	85	X		4/30/23
Pilera enhancements	Improve residents' visibility of the account ledger. Additional payment options.	75	X		5/1/23
Implement requirements of HB22-1137	Monthly statement process	75	X		4/30/23
Review POS system for work orders	Collect payment at time of service	0	X		5/31/23
Capital Reserve Database maintenance	Update current costs and components	0	X		6/30/23

**CHRO/Human Resources**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
PEO Conversion with all employee file update	Save Money, Improve Efficiency	100	X		3/15/23
Onboard New PEO	Train all the manager, set up employees	100	X		3/15/23
Hire Office Asst & Acct Personnel	Market/Vet/Interview/Hire	100	X		3/1/23
work on uniform change/color	more transparency easy to spot - orders due by 4/28	99	X		4/28/23
Work with PPC and Board on CEO Review	Train, assist, ensure compliance.	90	X		4/15/23
Plan Summer Engagement/integrate with 50th	Improve Employee Morale & Recognition	25	X		9/1/23
Open enrollment for new year	Compliance	75	X		4/19/23
comprehensive Customer Service Training per Dept.	Improve CS and Help Employees	75	X		5/1/23
Work on new forms for reviews on ADP site	easier for managers/fair for all	75	X		5/1/23

Work on updating the Handbook for Uniforms	Transparency and Accuracy	75	X		4/15/23
Employee recognition/reward program	Enhance Morale & Recognize (PPD)	50	X		5/1/23

**Communications/Administration**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Behind	Goal for Completion
Social Media Accounts	Create a business account Instagram	90	X		4/1/2023
Update current Information on Website	Make corrections and remove outdated information/add more communications as needed	85			6/1/2023
Allstrem Analog Telephone lines	Work with vendor to clean unused lines and ensure we have the right service.	75			6/1/2023
Google Business Profile Page	Claim our Google profile page to make updates and maintain reviews	60			6/1/2023
Cross-Train Receptionist	Work with Resident Coordinator to train Reception	60			10/1/2023
Seasonal Communications	Put together communications that are more season based/reminders	20			6/1/2023

**Contracts**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
HGMD Garden Plot Upgrades	Provide upgrades to the Garden Plot Watering System and add Pavers for users to easier navigate through the garden.	85	X		5/1/23
Professional Engineer to complete design work for 2023 and 2024 projects. Complete repairs and Waterproofing on PS#3 and Drainage Project at PS#1.	To have a professional engineer conduct and conditions test and generate a report describing the current state of the parking structures.	40	X		12/31/23
2023 Project Planning	Plan for the upcoming projects based on the approved budget.	35	X		7/1/23
2023 Carpet Replacement Project	Replace Carpet in Select Building Corridors.	15	X		6/1/23
2023 Building Exterior Painting	Paint Building to keep them looking aesthetically pleasing and water tight.	10	X		7/1/23
2023 Roof Replacement - B215, 220 and 241	Replace an HG 6-story building roof. To maintain the building being water tight	10	X		12/31/23
Clubhouse Access Control, Parking Structure Security Cameras, and RV Parking - Security Enhancement Projects	To help relieve community safety concerns	10	X		12/31/23
Maintenance Shop - Concrete/ Asphalt Repairs	Repair drainage issues by adding drain pans and remove and replaing curb and gutters. Add New Entry Gate	5	X		10/1/23
Atrium Building Xeriscape - B244	Xeriscape area over underground garage to prevent water cracking, water leaking, and structural damage.	0	X		10/1/23
2023 Trash and Recycling Contract	Provide Trash and Recycling Services Throughout the Community	0	X		9/1/23

**Custodial**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Carpet cleaning (entire buildings)	catch up on this project	80	X		5/1/2023
Clean entry ways and high traffic areas	maintain appearance	60	X		5/31/2023
Tile/ Carpet Square replacement	maintain appearance	5	X		5/31/2023

**Facilities Maintenance Engineer**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
<b>TOP 3 - 6 PROJECTS</b>					
Building 214 chair rail project	Carryover from 2022	75	X		4/29/23
B233 flood	Restoration of 4 units	50	X		5/5/23
Planning 2023 capital projects	Inspect locations for projects	35	X		6/30/23
Club indoor pool filter system	Getting proposals for replacement	10	X		5/26/23
Club outdoor pool re-plaster	Getting proposals for replacement	10	X		4/27/23
Fire extinguisher maintenance	(Required compliance)	5	X		4/29/23
<b>MID-LEVEL PROJECTS</b>					
Building 232 water damage	Kitchen Restoration (Contractor)	75	X		4/29/23
Inspect CP pillars to obtain a list and count of pillars that need to be either removed or straightened.	For budgetary purposes.	50	X		6/29/23
Sewer mainline repairs	Three CP sewer cleanout installation and jetting after	10	X		4/29/23
<b>LONG TERM PROJECTS</b>					
All Multi-story roof safety protocol	Found Option (Safety) (Scheduling)	65	X		4/29/23
Multi-story infrastructure	Get projection costs	5	X		7/31/23

**Maintenance**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
February reviews	reviews	100	X		3/15/23
replacement vehicle for paint	vehicle	100	X		6/1/23
2023 asbestos training	rec -certifications	30	X		5/30/23
new training year 2023	training of different process	0	X		12/31/23
April reviews	reviews	0	X		4/30/23
replacement/repair exit doors	213-216 in 2023	0	X		7/1/23
2023 chair rail projects	221,222,250	0	X		12/31/23
2023 lift training	training	0	X		6/1/23

**Roads & Grounds**

**Project Status & Objectives**

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Leaf Removal	Remove fallen leaves	90	X		4/1/23
Pruning PM's	Set expectations for pruning	90			4/1/23
Water Wise/Yale Project	Redo Yale Entrance	70	X		5/31/23
Mowing PM's	Set expectations for mowing	60			4/1/23
Aeration/Fertilization	Aeration started	50	X		4/17/23
Irrigation start-up/repair		25	X		5/1/23
Foundation Projects	community LS projects	25	X		12/31/23
Spring Garage Sweeping	Powerwash garages	20	X		5/8/23

**Security**

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**Project Status & Objectives**

<i>Project Name</i>	<i>Objective</i>	<i>% Comp</i>	<i>On-Time</i>	<i>Late</i>	<i>Goal for Completion</i>
Officer Seneca Seminar	Community Outreach	100	X		3/21/23
Water/Electrical Emergency Shut-off	Mitigate Property Damage	90	X		4/30/23
Clubhouse Access Control (Quotes)	Building Safety	75	X		12/31/22
Emergency evacuation plan for Maintenance Shops and Clubhouse	Safety	0			5/1/23
Call Adult Protect Services	Social Worker for HG	0			ASAP
Report Writing Course-District Pres	Improve report writing skills	0			ASAP

## **End of Quarter Report Quarter 1- January through March 2023**

End of Quarter Reports are recaps directly from the Department Manager Summarizing the Quarterly Accomplishments, Go Forward Plans & Goals.

### **HGMD**

### **Clubhouse**

#### **Accomplishments/Department Update**

- In the first quarter of 2023 we solidified our Front Desk staff by getting our last two hires fully trained and acclimated to the Clubhouse. The staff continues to grow and has become interchangeable with responsibilities. This has made us a stronger team.
- We went into the new year with a completed year briefly for 2023 events and happenings. We made some key changes in the schedule for our annual fairs. We moved all fairs to the 2 week break in between classes. This is to ensure we do not interfere with class meeting times.
- The indoor pool was closed March 20th-April 2<sup>nd</sup>, for Bi-annual cleaning and maintenance. The cleaning and maintenance were successful. We were able to open the pool and hot tube right on schedule.
- We kicked off the new year with a comedy show. The attendance was fair, and the feedback was positive. This was not your average comedy show. It was very interactive, and it was a walk down memory lane for the residents.
- We have been putting an emphasis on advertising and making sure we are using all resources to get the word out about the happenings in the Clubhouse. We have been building up our followers on Facebook. The Clubhouse Assistant Manager has done an excellent job of posting our events on Facebook.
- The annual Spring Craft Fair took place in March. It was phenomenally successful, and the vendors felt they had plenty of traffic. The vendors also appreciated the advertising for this event which contributed to the success of this event.
- Other noteworthy events we had in the first quarter are Valentines Day lobby social, Valentine's dance, and Mardi Gras lobby social. These events were phenomenally successful. The goal was to promote social gatherings to get people talking and laughing while in the clubhouse.
- The Clubhouse is still working on adding events. We have dances planned, a Resource Fair, Fall Craft Fair, Flea Market, concerts and more.

#### **Next Quarter/Next 3-Months/Goals**

- Clubhouse rentals are increasing with warmer weather around the corner.
- Plan and organize Flea Market, and Resource Fair.
- Open outdoor pool Memorial Day weekend.

- Budget preparation for 2024 Budget.
- Research and evaluate the room scheduling guidelines for Clubs/Classes/rentals, etc.
- Work with the new Enterprise Committee for feedback and guidance.

### **Budget/Projections/Expenses**

- With the increase in activities, we have experienced a payroll expense increase. The team has had to work extra hours to ensure we are organized to execute events. We will continue to use volunteers based on their availability to help with this issue.
- Equipment that has been around for a long time is starting to get to the point of needing to be replaced. We are researching and evaluating these needs.

## **Golf**

### **Accomplishments/Department Update**

- 2023 started off with a lot of snow, we were closed from Jan 1<sup>st</sup> – Feb 27<sup>th</sup>. Even with being closed for so long we managed to create some great revenue with our newly revamped golf simulator. Just in the first quarter alone we made \$1,890 dollars in revenue, which was 82 rentals, which was averaging almost 1 rental a day. Also considering we averaged about \$1300 for the year 2022 that was a major improvement to exceed that number in the first quarter.
- March was exceedingly kind to us with only 5 closed days. We were able to increase our rounds in 2023 by 7.5% over March in 2022.
- In the first quarter we were able to create a 10.4% increase of revenue over the first quarter in 2022. Considering we were only open 30% of the quarter that is fantastic!
- We started a new golf lesson video series “The Kohr Fundamentals of Golf” and since lesson sales have increased 137% over the first quarter in 2022.
- The golf course and restaurant have partnered up and created a Facebook, and Instagram page to help advertise our events and happenings at HG.
- We have confirmation from our outside leagues that they will all be returning this season, we also added 1 more to the list so far.
- Our maintenance staff were able to trim some low hanging branches on the course.
- They were able to get fertilizer down just before snow in March, this really helped green up and start the waking process of the grass.
- Towards the end of March, we turned the irrigation system on. Greens have been getting mowed on a weekly basis.

### **Next Quarter/Next 3-Months/Goals**

- As we move into warm weather we look to see increases in play as we did in March this year.
- We will be hosting 2 free HG resident golf clinics in May to help get more residents interested in the game of golf.

- The next 3 months will be the official start of the golf season, we will have all our golf leagues beginning in the 2<sup>nd</sup> quarter, our full staff for the golf shop will be starting back and we will get to see all the wonderful familiar faces we are used to seeing during warm weather.
- Golf course aeration will happen on April 17<sup>th</sup>, this will be perfect timing to have it all healed up and ready for a lot of events happening in May.
- We will be pushing a lot of things on social media in the 2<sup>nd</sup> quarter to really help drive interest on the golf course.

### **Budget/Projections/Expenses**

- In terms of revenue projections, we did not create the revenue that we would have wanted to, but we did a fantastic job keeping the operations cost down and staying below budget! As we look forward to the 2<sup>nd</sup> quarter, we believe we can continue this success as we increase our revenues from good weather.
- For our overall budget/subsidy, we have done an excellent job at staying below budget and we are about 15k below our budget through the first quarter. This tends to be our toughest quarter as weather can be very unpredictable. Looking forward to the second quarter, we believe we can continue our trend below budget as we will be getting steadily busier.
- We will have a few capital projects that require warm weather to complete, so we are looking to have the Well Rehab and Irrigation design approved by the enterprise committee & HGMD committee in the 2<sup>nd</sup> quarter.

<b>Restaurant</b>
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### **Accomplishments/Department Update**

- In the first quarter we hosted multiple events, parties and banquets, Superbowl, Valentines Day Buffet, 3-4 nights of music and dancing, St Patrick's Day Buffet and a 50<sup>th</sup> Anniversary dinner and dancing event.
- The new cocktail menus and wine menu are going well.
- We have hit our goal of 500 loyalty members and will keep pressing on for more members.
- Our new Facebook page and website have been getting action, we have almost 50 people following our Facebook posts.
- The 1<sup>st</sup> Quarter we had a lot of harsh weather and that really effects the restaurant attendance. We had a couple of events that were cancelled due to harsh weather.
- Sales have been growing and getting closer to pre covid sales so by holding banquets and parties we hope to get to pre covid numbers soon.



### **Next Quarter/Next 3-Months/Goals**

- Book more parties and events and increase sales. The demand is growing, and we will need to look for an event person in the future to help banquets and parties grow.
- We plan to work closely with the golf course and offer food and snacks on days we are closed.
- I am talking with our beverage suppliers and working on some beverage offerings that will work well on the golf course.
- We book entertainment on Friday nights, which gives us a nice dinner rush and we do serve some drinks during the dance, we have a lot of people that want water during the music, so we are going to be offering bottled water to help keep the lights on.
- Sunday brunches have been getting busier as the weather gets better, with the cost of meats and eggs we will be looking at increasing prices aging soon.
- We have more special dinners and dances booked ahead for the 2<sup>nd</sup> quarter.

### **Budget/Projections/Expenses**

- Overall, the restaurant continued the trend of running lean with staffing to minimize labor expenses and maintain an acceptable gross profit percentage.
- We are currently looking for a couple of part-time servers to help us during the busy summer months.
- With summer coming quickly and that will start off the patio season we hope business will be strong for the second quarter.
- With all the events and entertainment, we have planned it should be a busy summer season.
- We are over \$2000 in the positive this quarter versus last year we were \$9000 in the negative so going into the summer busy months we are looking good.

**HGA**

**Accounting**

### **Accomplishments/Department Update**

- Continuous improvements in efficiencies and processes have resulted in MOAs being completed and distributed to department heads by the third business day of the month. Financial Board reports are completed by the fifth business day of the month.
- Emphasis on collections in prior quarters has reduced Assessment Accounts Receivable from a high of \$377K in 2021 to around \$67K as of March 2023. We have had 18 consecutive months of reduction in Assessment AR. Assessment AR is the lowest since 2016 when accounting for annual Assessment increases.
- Since the implementation of HB-1137 on 8/10/2022, we have posted 308 delinquency notices at Units. Each month we wait seven days after posting the delinquency before

we send a certified letter return receipt. The total certified mailings from January through March have been 124.

- As of March 3, we have 1,824 units using Direct Debit or 75.2% of the community. In July 2021 we had 1,580 residents using Direct Debit. Increasing Direct Debit participation significantly reduces the time required for our cash application process.
- Began sending out balance statements to the residents. Due to researching the details of past balances, not all residents have been mailed statements.
- 2022 audit work has been completed, and we are still on track for final audit reports to be completed in April 2023.
- Continue progress on cleaning up the property management system.

#### **Next Quarter/Next 3-Months/Goals**

- Continue to strengthen and document control environment.
- Continue progress on cleaning up the property management system.
- Review other property management accounting systems.
- Continue sending balance statements to residents.
- Update capital reserve report.
- Begin quarterly community presentation on “Understanding HGA & HGMD Financial Statements”. This will be pushed back to later part of 2023.

### **Communications/Administration Office**

#### **Accomplishments/Department Update**

- Re-engaged contract for Pitera at same rate as previous contract. Removed threshold and communication constraints with email, phone, and text messaging.
- Hired Admin/Office Assistant Position
- Planning & Preparation for the District Board Election
- General Support of the HGA and HGMD

#### **Next Quarter/Next 3-Months/Goals**

- Train New Admin/Office assistant on various tasks, including meeting facilitation, communications, and miscellaneous tasking.
- Continue to work on Website clean up and review new website opportunities.

### **Contracts/Facilities**

#### **Accomplishments/Department Update**

The Department is currently working on the following 2023 Capital Reserve Projects:

- 2023 Carpet Replacement Project – Contract has been approved/ awarded to Carpet

One. Carpet color selections have been confirmed for each corridor receiving a carpet replacement in 2023. The carpet has been ordered, working on schedule and start date with the awarded contractor.

- 2023 Roof Replacement Project; B215, 218. 220 and 241. Bids, Cap Ex and Recommendation were submitted to MC committee for April approval.
- 2023 Building Paint Project; B233 – Bids, Cap Ex and Recommendation was submitted to MC for April Approval.
- 2023 Security Camera and Access Control; at Parking Structures. Clubhouse and RV Parking Areas. We had meetings to help determine scope with Kroll Consulting, ADT, and Securitas.
- 2023 Parking Structure Maintenance Plan – Stair replacements are scheduled to start at the end of May or early June 2023. BC&E is working on finalizing repair documents for Parking Structures 1, 3 and 4. Once design documents and RFP are received, we will distribute to contractors interested in bidding on the work scheduled for 2023.
- 2023 Atrium Xeriscape – Started working on determining scope.
- 2023 HGA/ HGMD Trash Contract – Updating the RFP and distributing to interested trash/ recycling vendors.
- 2023 HGMD Maintenance Building Parking Lot – Asphalt Project. Received pricing from Sunny Day Concrete and Asphalt Coatings. We are currently reviewing the proposals received and determining the best locations in the parking lot to use the budgeted funds. In the process of developing the scope.
- 2023 HGMD Rendezvous Restaurant Freezer Replacement; Working with Freezer suppliers, Concrete and Electrical vendors on Freezer options. Working with the city of Aurora Electrical and Building Departments to determine requirements for receiving a permit to replace the freezer.
- 2023 HGMD Golf Shelter Re-Build Project – Received 2 bids looking to receive a 3<sup>rd</sup> price to submit to HGMD's insurance company.
- Building 204 / 309; Restoration of 2 bathrooms, caused by water damage.
- Clubhouse Outdoor Pool; Boiler replacement.
- Fire Alarm Inspection - Battery Replacement; replaced 12-volt batteries in multiple building fire alarms identified as having lower than recommended amp hours.
- Sewer Maintenance; NTH 2770-2774 - jetted cast iron pipes from new outside cleanouts. NTH 2740 installed new outside double cleanouts, NTH 2740-2746 jetted cast iron pipes from new cleanouts, NTH 2736 installed new outside double cleanouts. NTH 2736 – 2730 Jetted cast iron pipes from new outside cleanout. 13765 – installed double cleanouts outside of unit.
- 2023 Chair Rail Project; Project is board approved. B214 is chair rail is completed.
- 2023 Concrete / Railing Project - HGA Board approved.
- 2023 Backflow Testing – complete.
- 2023 Paint Department Vehicle Purchase – 2019 Nissan NV200 Van.
- 2023 Annual Fire Extinguisher Inspection – Inspected 700+ Fire Extinguishers.
- 14223 and 13896 – Installed roof exhaust vents at each unit.
- Building 209 / 104 – Installed new kitchen sewer mainline under concrete floor, providing proper drainage for 8 units.

- Railing Repairs – Completed repairs in-house, using recently purchased welding equipment at B220, PS#1 and 3.
- Lighting Upgrade – Building 236 common area hallway sconce lights.

### **Next Quarter/Next 3-Months/Goals**

- 2023 Carpet Replacement – Scheduling and starting the replacement project sometime in early June.
- 2023 Roof Replacements; B215, 218, 220 and 241. Working on B&F and Board Approval. Once the board approves, we will release the contract, order materials, and start scheduling the project.
- 2023 Security Camera and Access Control; receive pricing and options available to HG. Analyze and decide on who we recommend moving forward with to complete the installation.
- 2023 Parking Structure Maintenance Plan; Start stair replacement project. Receive finalized repair documents and RFP for bidder distribution for PS#1,3 and 4. Collect, analyze and review bids and make a recommendation to the board as to who we recommend completing the 2023 scheduled parking structure work.
- 2023 Atrium Xeriscape – Finalize scope. Meet with interested contractors to review scope. Collect interested vendor pricing to complete the project.
- 2023 HGA/ HGMD Trash Contract – Distribute updated RFP to interested trash/ recycling companies for their pricing by May 1st. Collect bids by June 1<sup>st</sup> and submit them for approval in the June 2023 MC meeting.
- HGMD Maintenance Building Asphalt – Finalize scope and distribute RFP to interested bidders to collect final pricing.
- 2023 HGMD Rendezvous Restaurant Freezer Replacement; Finalizing pricing and City of Aurora requirement prior to submitting for HGMD board approval.
- 2023 HGMD Golf Shelter Re-Build Project – Submit final pricing to HGMD insurance.
- Complete Misc. Concrete Repair, Railing & Drainage Projects.
- 2023 Chair Rail Project – Start and finish chair rail at B221.
- Continue Concrete and Handrail replacements.
- Continue Mainline Sewer Repairs in CP's, Townhomes, and 4-story buildings.
- Continue Flood Damage Restoration in multiple locations.
- Replace metal doors at B213 and 214 Parking Garages.
- Replace Mailroom damaged Formica shelf at Building 220.
- Continue Plumbing Infrastructure Research at Multi-story buildings.
- Building 221 and 222 – Flooring and Stairwell renovations.
- Fire Extinguisher Maintenance – throughout the property.

### **Budget/Projections/Expenses**

- Overbudget for 2023 Exterior Building Paint Project at B232 by \$2,300.
- Overbudget to replace 4 roofs in lieu of 3 by \$15,852. The recommendation is to move forward with 4 replacements.

## Custodial

### Accomplishments/Department Update

- We continue to grow as a team. The staff has adjusted to the new team atmosphere and the support for covering each other when needed is extremely high.
- We are making really timely progress with the Carpet cleaning project. We have four buildings remaining (213-216)
- We have implemented a maintenance log to ensure we are maintaining our equipment to maximum use.
- We have also serviced the Hotsy in preparation for power washing the trash chutes.

### Next Quarter/Next 3-Months/Goals

- Cleaning carpets is completed. (Bldg. 213-216 remaining)
- Power wash trash chutes in all 36 buildings.
- Wash all 12 buildings side stairs, 201-212.
- Cleaned Club House carpet.

### Budget/Projections/Expenses

- Researching and evaluating possible new carpet extractor to replace older unreliable extractor. This will allow us to run 3 machines at once for a more efficient carpet cleaning process.

## Human Resources

### Accomplishments/Department Update

- During the first quarter, we made the transition from the previous PEO to a new PEO. This has provided a more affordable and comprehensive benefits suite for employees at a cheaper cost and overall savings to the Community and Association with services. This not only included benefits for insurance but also involved moving the 401K benefit. This PEO offers a thorough employee portal to review payroll, benefits, PTO, job postings etc.
- The quarter also involved direct support from managers for hiring opportunities and onboarding. Open positions were posted through the new PEO site which also offers considerable savings versus large job websites but includes these large sites for postings.

### Next Quarter/Next 3-Months/Goals

- Continue to expand, utilize, and implement the full suite of services the new PEO offers which includes.
  - Performance Management Notifications and Online Completion
  - Training/Documentation Services & Tracking
  - Additional Online Forms for Reference & Review
- Manage Open Enrollment with New PEO

## Maintenance

### **Accomplishments/Department Update**

- 214 Chair Rail Project - started on 12/2/22, will be completed on 4/14/23, walked on 4/17/23 for inspection.
- Replacement of fluorescent lights on all floors in building 236 – Complete
- Wrote the 2023 weekly inspections – Complete.
- Changed yearly rotation of service techs complete.
- Physical Inventory January 2023 – Part/Inventory Department – Complete
- Continuing to hire service techs and apprentices.
- Acquired used vehicle for the paint dept- complete.
- All reviews done on time and Complete.

### **Next Quarter/Next 3-Months/Goals**

- Continue to hire for 4 positions open in maintenance.
- Dryer vent cleaning, buildings 236,216,215,214,213.
- Begin Chair rail project in building 221 on 4/17/23.
- Continue the asbestos training.
  - Restart Swamp coolers in May 2023
- Open outside pools in May 2023

### **Budget/Projections/Expenses**

- Year to Date, wages/benefits are in line with 2023 budget.
- Reviewed Capital Reserve Component Project List & deferrals for 2023.
- In-Progress, OPEX budget Draft review – it is appearing based on Cost of Good increases that the Maintenance Department budget may need to increase from 2023 to cover materials and so on.

## Roads & Grounds

### Accomplishments/Department Update

- The first quarter of the year has been spent battling snowstorms and dealing with the coldest start to a year since 1983. Towards the end of the quarter, with the arrival of warmer temperatures, we have completed many different rock/mulch projects and started the process of pruning with heavy winter pruning being completed across the property.

#### **Pruning Crew:**

- Flush cutting shrubs (heavy pruning), pruning of decorative grasses and Russian sage.
- Tree removals

#### **Mow/Special Projects Crew:**

- Installed 3 rock beds in CP1.
- Redesigned Yale/Marina entrance and added new mulch.
- Filled mulch beds with mulch made from chipping operations from 2022.

#### **Irrigation Crew:**

- Replacing leaking or nonoperational valves
- Assisted prune/mow crew with assigned tasks.

### Next Quarter/Next 3-Months/Goals

- Continue to fine tune irrigation system to waste less water.
- Write and execute mowing PM's.
- Execute new pruning PM's.
- Complete aeration/fertilization of property
- Complete HGMD Foundation projects (bench pads, sod projects)

### Budget/Projections/Expenses

- Waiting for the arrival of the new truck to replace 500.
- Waiting on arrival of new mowers that were ordered in March.
- A Perfect Landscape completing front entrance remodel.

## Security

### Accomplishments/Department Update

After the 2022 budget approval, the Security Department was granted the opportunity to hire a ninth officer. At the end of the fourth quarter of 2022, we had seven officers, including myself. I have continued the process of hiring two more full-time officers.

- I am currently still recruiting two officers to cover the vacant shifts that we have on our schedule and will be vetting the new candidates to see who can fill the Compliance Officer position. The current Compliance Officer will be starting college soon and the shift is not conducive to his schedule, so he will be moving to an overnight shift.
- I have communicated and worked with CEO and the S.E.C. Committee referencing the necessary updates that need to occur regarding the governing documents, I.e., Declaration, PMA-1, Legal 6, Legal 3, etc., so that they are in line with the current statutory laws and restrictions for the Public Utilities Commission and the House Bill 22-1137. Both updates include regulations on the procedures for HOA's and parking/towing policies. Collaborating with members of the S.E.C. I was able to get the Legal 6 redlined and updated, which is now with the HG Legal team for review.
- In conjunction with the S.E.C Committee and the Aurora Police Department, we were able hold two community outreach events for the HG community in the month of March. These events were the Senior Safety Seminar and Lunch with a Cop. Both events brought in a respectable number of residents and those who are interested in the safety and security of the community.
- The quarterly changing of the building codes for realtors, contractors and employees will be completed by 5/8/2023.
- Security coordinated with Maintenance to do a walkaround through the buildings, so that Security could be shown the water/electrical emergency shut-off locations for the high rises. This will assist in mitigating damage when a maintenance emergency occurs. By having Security educated on these specific points of contact, when an emergency arises, Security can respond and assist with the mitigation process, until the arrival of Maintenance.

### **Next Quarter/Next 3-Months/Goals**

- Recruitment and retention are key components for the department currently.
- It is my goal to accomplish the procedural changes needed to assist the department and the community.
- Ensure that all officers receive proper and professional firearms/training and certifications. With an emphasis on tactical and situational response to a multitude of threat levels.
- Ensure that all officers attend a business/technical report writing course. This will improve the report writing within the department and set a standard requirement for all submitted reports.
- Schedule quarterly Security Team meeting.

### **Budget/Projections/Expenses**

- Based on the 2023 Security budget and unforeseen incidents, I will be looking at the purchase of two new patrol vehicles (SUV's). Due to the number of issues, we incurred with difficulties keeping up with maintenance on the Toyotas we had previously purchased, we are exploring other make/model options for future patrol vehicles.



## **FOUNDATION COMMITTEE REPORT FOR APRIL 12, 2023**

**COMMITTEE:** Eloise Laubach, Chair, Becky Cole, Charlene Plucke, Terry Schumacher, Mavis Richardson, Vicki Spillane

The meeting was called to order at 1:05 pm. A quorum was present.

Chair Comments: The Foundation is not 501(c)(3) but donations can still be used as a tax deduction.

The Bench that was funded by the Mask Warriors and the Foundation will be dedicated on May 9 at 11:30 am.

Notes of the February 8, 2023 meeting were reviewed and accepted.

Financial report was reviewed.

**Unfinished Business:** The Management Fee of \$8,922.45 will be returned to the Foundation by being incorporated into the 2024 budget.

**New Business:** The Committee updated the Foundation Donation form showing donations can still be used as a tax deduction and updated some pictures and wording.

**The next meeting will be May 10, 2023 at 1:00 p.m.**

## HGMD TREASURER'S REPORT for APRIL 2023 BOARD MEETING

### Highlights of District Operations

#### For the Month of March 2023

##### **Enterprise Fund:**

Enterprise Fund revenue for March was \$237,900, which was \$2,700 more than budgeted. Enterprise Expenses, including the cost of goods sold, were \$176,900, which was \$19,700 less than budgeted. Recreation Fee income of \$145,000 is as expected. Clubhouse Revenue of \$15,700 was \$1,600 less than budgeted, however Club house expenses of \$55,800 were \$15,800 less than budgeted. Golf Revenue of \$20,400 was \$1,900 more than budgeted and Golf expenses of \$50,300 were as expected. Restaurant revenue of \$50,500 was \$3,700 less than budgeted, and Restaurant expenses of \$60,600 were \$2,200 less than budgeted.

##### **Restricted Funds**

**Conservation Trust Fund (Lottery).** The District received a quarterly distribution of Lottery funds amounting to \$6,536 in March and \$51 of interest income was recorded. \$250 of expenses was recorded in March. At March 31<sup>st</sup>, the lottery bank account had a balance of \$150,778.

**Foundation Fund.** The Foundation Fund received \$225 in donations during March and recorded \$378 of interest income. There have been no recorded expenses so far this year. The Foundation checking account had a balance of \$37,786 and CD's that will equal \$150,000 at maturity.

**Debt Service Fund.** The Debt Service Fund recorded \$185,617 of property tax income, \$2,572 of specific ownership tax and \$987 interest income year in March. Interest expense of \$24,683 and County collection fee of \$2,784 was recorded. At March 31<sup>st</sup>, the Zion Bank held \$326,640 in money market funds for payment of debt service interest and principal.

**FOR THE MONTH OF MARCH 2023**

	<b>Budget</b>	<b>Actual</b>
Clubhouse Subsidy	\$(54,312)	\$(40,128)
Golf Subsidy	\$(31,777)	\$(29,919)
Restaurant Subsidy	\$( 8,532)	\$(10,065)

**YEAR TO DATE THROUGH MARCH 2023**

	<b>BUDGET</b>	<b>ACTUAL</b>
Clubhouse Subsidy	\$(171,440)	\$(148,751)
Golf Subsidy	\$(125,369)	\$(109,843)
Restaurant Subsidy	\$( 40,936)	\$( 38,658)

<b>Resturant Statistical Information</b>					
<b>Income</b>	<b>2023</b>	<b>2022</b>			
January	40,260	19,177			
February	38,480	26,344			
March	50,551	48,465			
April	0	0			
May	0	0			
June	0	0			
July	0	0			
August	0	0			
September	0	0			
October	0	0			
November	0	0			
December	0	0			
<b>Total</b>	<b>129,291</b>	<b>93,986</b>			
<b>Expenses</b>	<b>2023</b>	<b>2022</b>			
January	55,601	39,513			
February	51,732	39,411			
March	60,616	57,350			
April	0	0			
May	0	0			
June	0	0			
July	0	0			
August	0	0			
September	0	0			
October	0	0			
November	0	0			
December	0	0			
<b>Total</b>	<b>167,949</b>	<b>136,274</b>			
<b>Profit (loss)</b>	<b>2023</b>	<b>2022</b>			
January	(15,341)	(20,336)			
February	(13,252)	(13,067)			
March	(10,065)	(8,885)			
April	-	-			
May	-	-			
June	-	-			
July	-	-			
August	-	-			
September	-	-			
October	-	-			
November	-	-			
December	-	-			
<b>Total</b>	<b>(38,658)</b>	<b>(42,288)</b>			
<b>Number of Guests</b>	<b>2023</b>	<b>2022</b>			
January	2,420	1,172			
February	2,433	1,666			
March	2,961	3,162			
April	0	0			
May	0	0			
June	0	0			
July	0	0			
August	0	0			
September	0	0			
October	0	0			
November	0	0			
December	0	0			
<b>Total</b>	<b>7,814</b>	<b>6,000</b>			
YTD income/guest	\$ 16.55	\$ 15.66			
YTD expense/guest	\$ 21.49	\$ 22.71			
YTD Profit(loss) per guest	\$ (4.95)	\$ (7.05)			

<b>Golf Course Usage and Income</b>	2023	2022	2021	2020	2019	2018
<b>INCOME</b>						
January	1,336	3,986	11,459	9,726	8,111	6,302
February	2,337	1,354	5,786	5,075	0	3,060
March	20,391	16,825	7,378	16,568	8,095	25,421
April	-	-	-	-	0	-
May	-	-	-	-	0	-
June	-	-	-	-	0	-
July	-	-	-	-	0	-
August	-	-	-	-	0	-
September	-	-	-	-	0	-
October	-	-	-	-	0	-
November	-	-	-	-	0	-
December	-	-	-	-	0	-
<b>TOTAL</b>	<b>24,064</b>	<b>22,165</b>	<b>24,623</b>	<b>31,369</b>	<b>16,206</b>	<b>34,783</b>
<b>EXPENSES</b>						
January	51,383	43,719		41,663	29,822	28,721
February	32,218	35,740	39,321	31,348	32,360	29,615
March	50,310	45,758	50,041	52,113	40,311	39,114
April	-	-	-	-	0	-
May	-	-	-	-	0	-
June	-	-	-	-	0	-
July	-	-	-	-	0	-
August	-	-	-	-	0	-
September	-	-	-	-	0	-
October	-	-	-	-	0	-
November	-	-	-	-	0	-
December	-	-	-	-	0	-
<b>TOTAL</b>	<b>133,911</b>	<b>125,217</b>	<b>89,362</b>	<b>125,124</b>	<b>102,493</b>	<b>97,450</b>
<b>PROFIT (LOSS)</b>						
January	(50,047)	(39,733)	11,459	(31,937)	(21,711)	(22,419)
February	(29,881)	(34,386)	(33,535)	(26,273)	(32,360)	(26,555)
March	(29,919)	(28,933)	(42,663)	(35,545)	(32,216)	(13,693)
April	-	-	-	-	-	-
May	-	-	-	-	-	-
June	-	-	-	-	-	-
July	-	-	-	-	-	-
August	-	-	-	-	-	-
September	-	-	-	-	-	-
October	-	-	-	-	-	-
November	-	-	-	-	-	-
December	-	-	-	-	-	-
<b>TOTAL</b>	<b>(109,847)</b>	<b>(103,052)</b>	<b>(64,739)</b>	<b>(93,755)</b>	<b>(86,287)</b>	<b>(62,667)</b>
<b>DAYS COURSE CLOSED</b>						
January	31	23	14	10	25	11
February	26	28	13	27	28	14
March	5	14	19	18	22	8
April	0	0	0	0	0	0
May	0	0	0	0	0	0
June	0	0	0	0	0	0
July	0	0	0	0	0	0
August	0	0	0	0	0	0
September	0	0	0	0	0	0
October	0	0	0	0	0	0
November	0	0	0	0	0	0
December	0	0	0	0	0	0
<b>TOTAL</b>	<b>62</b>	<b>65</b>	<b>46</b>	<b>55</b>	<b>75</b>	<b>33</b>
<b>ROUNDS PLAYED</b>						
January	0	182	525	440	268	521
February	47	0	240	194	0	247
March	1,038	967	392	989	463	1,873
April	0	0	0	0	0	0
May	0	0	0	0	0	0
June	0	0	0	0	0	0
July	0	0	0	0	0	0
August	0	0	0	0	0	0
September	0	0	0	0	0	0
October	0	0	0	0	0	0
November	0	0	0	0	0	0
December	0	0	0	0	0	0
<b>TOTAL</b>	<b>1,085</b>	<b>1,149</b>	<b>1,157</b>	<b>1,623</b>	<b>731</b>	<b>2,641</b>
YTD Income per round played	22.18	19.29	21.28	19.33	22.17	13.17
YTD Expense per round played	123.42	108.98	77.24	77.09	140.21	36.90
YTD Profit (loss) per round played	(101.24)	(89.69)	(55.95)	(57.77)	(118.04)	(23.73)

**HEATHER GARDENS BUDGET & FINANCE COMMITTEE  
APRIL 17, 2023, MEETING REPORT  
COMMITTEE MET IN BOARD ROOM  
MEETING ALSO AVAILABLE ON ZOOM**

**TO:** Members of the Heather Gardens Budget & Finance Committee, HGA Board of Directors, HGMD Board of Directors, Chief Executive Officer, and Chief Financial Officer.

**FROM:** Terry Hostetler, HGA Treasurer, and Bill Archambault, HGMD Treasurer

**Committee:** Terry Hostetler, Co-Chair, Bill Archambault, Co-Chair, Craig Baldwin, Harry Laubach, Ray Nash, Randy Lane, Richard Ferguson, John Recob, and Bev Havens. Richard Ferguson was excused from the meeting.

**Staff:** Jon Rea, CEO; Jerry Counts, CFO.

**Audience:** Approximately 19 residents, including HGA Board Members and HGMD Board Members

**Welcome and Chair Comments:** The B&F Committee meeting was called to order at 10:00 AM. A quorum was established. Co-Chair Hostetler welcomed all members and guests.

The March meeting report was accepted with one correction.

Rubin Brown, Auditors, reviewed the 2022 audited financial statements with the Committee. See motions below, under new business. Auditors were extremely complimentary of the work and effort of Jerry Counts, CFO,

**Monthly Operating Analysis Review:** Jerry Counts, CFO, reviewed the February 2022 financial statements for HGA and HGMD. All questions were answered.

**Subcommittee and Other Reports:**

Audit Subcommittee: Report was reviewed.

Insurance Subcommittee: No meeting was held. Chair, Randy Lane, announced that Steve Villano, former member of the B&F Committee has joined the Insurance subcommittee.

Capital Projects Subcommittee: No Meeting was held. There will be a meeting on April 27<sup>th</sup> at 1:00 PM held in the Board Room. The chair, John Recob, has met with staff to clarify details on component listing.

Investment Update: Chair, Terry Hostetler, will have a phone conversation with the investment advisors today regarding two CD's that will renew in April.

**Unfinished Business:** Revisions to B&F Joint Procedure Memorandum (JPM B-1). Motion by Recob, seconded by Lane and passed unanimously that the B&F Committee recommend that the HGA Board of Directors approve the revisions to JPM B-1. Motion by Recob, seconded by Lane and passed unanimously the the B&F Committee recommend that the HGMD Board of Directors approve the revisions to JPM B-1.

**New Business:**

- 1) Presentation of 2022 HGA and HGMD Financial Statements by Rubin Brown, Independent Auditors. After discussion, the following motions were made:
  - a) Motion by Nash, seconded by Lane and approved unanimously that the B&F Committee recommend that the HGA Board of Directors accept and approve the 2022 Financial Statements (audit) as presented with the assumption that the open items will be completed.
  - b) Motion by Baldwin, seconded by Havens and approved unanimously that the B&F Committee recommend that the HGMD Board of Directors accept and approve the 2022 Financial Statements (audit) as presented with the assumption that the open items will be completed.
- 2) Motion by Lane, seconded by Baldwin and approved unanimously that the B&F Committee recommend that the HGA Board of Directors approve the contract with Terpstra Roofing to remove and replace the roofs on Buildings 215, 218, 220 and 241 for a cost of \$1,723,602 with a change order reserve of \$172,360.20 for a total cost not to exceed \$1,895,962.20 without additional HGA Board of Directors approval. The total project cost is \$188,212.20 over budget.
- 3) Motion by Baldwin, seconded by Recob and approved unanimously that the B&F Committee recommend that the HGA Board of Directors approve the contract with Denver Commercial Coatings to re-paint the exterior of HG Building 232 at a cost of \$79,500 plus a change order reserve of \$7,950 for a total cost not to exceed \$87,450 without additional HGA Board of Directors approval. The total project cost is \$10,250 over budget.
- 4) Motion by Havens, seconded by Nash and approved unanimously the the B&F committee recommend that the HGA and the HGMD Boards of Directors approve the extension of the terms or service of Karen Kasprzak, Karen McClaury, Barbara Schneller, and Rita Lusk for another year until April 2024.
- 5) Brief discussion of the Vision Statement and Mission Statement of the Joint Long Range Planning Committee. No action was taken nor expected to be taken by the B&F Committee.

**Members of the audience wishing to speak on non-agenda items:** None.

The meeting was adjourned at 12:08 PM. The next meeting will be on May 15, 2023, at 10:00 AM in the Board Room and via Zoom.

**Heather Gardens Metropolitan District  
Board Action  
Date: April 20, 2023**

**Motion: Accept and Approve the 2022 Heather Gardens Metropolitan District Audit Report**

Based on the recommendation of the Joint Budget and Finance Committee, I move that the Heather Gardens Metropolitan District Board of Directors accept and approve the 2022 Audit, pending completion of the open items on the lead page of the December 31, 2022, financial statements.

Motion by: Bill Archambault      Seconded by: \_\_\_\_\_

Outcome of vote:

For: \_\_\_\_\_ Against: \_\_\_\_\_ Absent/Abstaining: \_\_\_\_\_

The motion has a majority and is adopted.

The motion does not have a majority and is not adopted.

\_\_\_\_\_  
David Funk, President  
HGMD Board of Directors

Explanation: After review of the 2022 Audit and discussion with the Audit staff, the Joint Budget and Finance Committee recommends the Heather Gardens Metropolitan District Board of Directors accept and approve the 2022 Heather Gardens Metropolitan District Audit, which in the opinion of the Audit staff presents fairly in all material respects, the results of its operations and its cash flow for the year then ended, in accordance with Accounting Principles generally accepted in the United States of America.



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

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**Open Items:**

- Subsequent Events Update
- Representation Letter
- Report Date

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## 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 8 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 27 and 28, 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.

DATE

DRAFT FOR  
DISCUSSION PURPOSES  
ONLY

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

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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 9.

**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.

**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)

## HEATHER GARDENS METROPOLITAN DISTRICT

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### Management's Discussion And Analysis (*Continued*)

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.

### 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 decreased by \$20,048 or 3.6% as a result of an increase in property taxes collected, and higher bond interest income. This increase was partially offset by a reduction in the fair market value of long-term investments of \$16,791. There was a slight decrease in Conservation Trust Fund entitlement.
- Non-operating Expenses had a slight increase of \$765.
- 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%



# HEATHER GARDENS METROPOLITAN DISTRICT

## Management's Discussion And Analysis (Continued)

### Financial Summary and Analysis

#### Capital Assets

	2022	2021	2020
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)
<b>Total Capital Assets - Net</b>	<b>\$ 10,335,718</b>	<b>\$ 10,712,488</b>	<b>\$ 11,108,377</b>

For additional information, see note 4.

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
<b>Total Assets</b>	<b>13,314,344</b>	<b>13,458,272</b>	<b>13,712,722</b>
<b>Deferred Outflows of Resources</b>	<b>582,096</b>	<b>614,585</b>	<b>647,074</b>
Current liabilities	606,724	612,145	728,123
Long-term liabilities	7,715,681	8,039,207	8,352,734
<b>Total Liabilities</b>	<b>8,322,405</b>	<b>8,651,352</b>	<b>9,080,857</b>
<b>Deferred Inflows of Resources</b>	<b>503,744</b>	<b>500,779</b>	<b>493,757</b>
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
<b>Total Net Position</b>	<b>\$ 5,070,291</b>	<b>\$ 4,920,726</b>	<b>\$ 4,785,182</b>
Operating revenues	\$ 2,707,884	\$ 2,538,393	\$ 2,114,718
Nonoperating revenues	553,540	550,283	617,448
<b>Total Revenues</b>	<b>3,261,424</b>	<b>3,088,676</b>	<b>2,732,166</b>
Operating expenses	2,774,540	2,616,578	2,492,944
Nonoperating expenses	337,319	336,554	381,157
<b>Total Expenses</b>	<b>3,111,859</b>	<b>2,953,132</b>	<b>2,874,101</b>
<b>Changes In Net Position</b>	<b>149,565</b>	<b>135,544</b>	<b>(141,935)</b>
<b>Ending Net Position</b>	<b>\$ 5,070,291</b>	<b>\$ 4,920,726</b>	<b>\$ 4,785,182</b>

# HEATHER GARDENS METROPOLITAN DISTRICT

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## Management's Discussion And Analysis (*Continued*)

The District's non-operating revenue increased \$3,257 due to increased property taxes, higher bond interest income, but partially offset by a reduction in fair market value of long-term investments. 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.

### 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
<b>Current Assets</b>		
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
<b>Total Current Assets</b>	<b>2,700,989</b>	<b>2,389,189</b>
<b>Noncurrent Assets</b>		
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
<b>Total Noncurrent Assets</b>	<b>10,613,355</b>	<b>11,069,083</b>
<b>Total Assets</b>	<b>13,314,344</b>	<b>13,458,272</b>
<b>Deferred Outflows Of Resources</b>		
Deferred loss on 2010 bond refunding	582,096	614,585
<b>Liabilities, Deferred Inflows Of Resources And Net Position</b>		
<b>Current Liabilities</b>		
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
<b>Total Current Liabilities</b>	<b>606,724</b>	<b>612,145</b>
<b>Long-Term Liabilities</b>		
Bonds payable	7,715,681	8,039,207
<b>Total Liabilities</b>	<b>8,322,405</b>	<b>8,651,352</b>
<b>Deferred Inflows Of Resources</b>		
Unearned property tax revenue	503,744	500,779
<b>Net Position</b>		
Net investment in capital assets	2,912,133	3,007,866
Restricted	293,532	352,058
Unrestricted	1,864,626	1,560,802
<b>Total Net Position</b>	<b>\$ 5,070,291</b>	<b>\$ 4,920,726</b>

## 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
<b>Operating Revenue</b>		
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
<b>Total Operating Revenue</b>	<b>2,707,884</b>	<b>2,538,893</b>
<b>Operating Expenses</b>		
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
<b>Total Operating Expenses</b>	<b>2,774,540</b>	<b>2,616,578</b>
<b>Operating Loss</b>	<b>(66,656)</b>	<b>(78,185)</b>
<b>Nonoperating Revenue</b>		
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 (loss)	(989)	1,863
<b>Total Nonoperating Revenue</b>	<b>553,540</b>	<b>550,283</b>
<b>Nonoperating Expenses</b>		
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)
<b>Total Nonoperating Expenses</b>	<b>337,319</b>	<b>336,554</b>
<b>Change In Net Position</b>	<b>149,565</b>	<b>135,544</b>
<b>Net Position - Beginning Of Year</b>	<b>4,920,726</b>	<b>4,785,182</b>
<b>Net Position - End Of Year</b>	<b>\$ 5,070,291</b>	<b>\$ 4,920,726</b>

# 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 1 Of 2

	2022	2021
<b>Cash Flows From Operating Activities</b>		
Payments received from customers	\$ 2,740,344	\$ 2,573,818
Payments to suppliers for goods and services	(2,265,068)	(2,242,801)
<b>Net Cash Provided By Operating Activities</b>	<b>475,276</b>	<b>331,017</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Specific ownership taxes	32,060	33,937
Other nonoperating expenses	(31,890)	(20,292)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>170</b>	<b>13,645</b>
<b>Cash Flows From Capital And Related Financing Activities</b>		
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	—
<b>Net Cash Used In Capital And Related Financing Activities</b>	<b>(239,842)</b>	<b>(258,708)</b>
<b>Cash Flows From Investing Activities</b>		
Maturities of certificates of deposit	750,000	—
Purchase of investments	(746,181)	—
Investment earnings	7,983	1,863
<b>Net Cash Provided By Investing Activities</b>	<b>11,802</b>	<b>1,863</b>
<b>Net Increase In Cash And Cash Equivalents</b>	<b>247,406</b>	<b>87,817</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>1,366,691</b>	<b>1,278,874</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 1,614,097</b>	<b>\$ 1,366,691</b>
Cash and cash equivalents	\$ 1,336,460	\$ 1,010,096
Cash restricted	277,637	356,595
<b>Total Cash And Cash Equivalents - End Of Year</b>	<b>\$ 1,614,097</b>	<b>\$ 1,366,691</b>
<b>Supplemental Disclosure Of Cash Flow Information</b>		
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

	2022	2021
<b>Reconciliation Of Loss From Operations To Net Cash</b>		
<b>Provided By Operating Activities</b>		
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
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 475,276</b>	<b>\$ 331,017</b>

# 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
<b>Assets</b>		
Cash and cash equivalents restricted	\$ 40,018	\$ 38,293
Investments restricted	148,872	150,000
Due from the District	—	1,100
<b>Total Assets</b>	<b>188,890</b>	<b>189,393</b>
<b>Liabilities</b>		
Due to the District	2,635	—
<b>Net Position</b>		
Restricted	186,255	189,393
<b>Total Net Position</b>	<b>\$ 186,255</b>	<b>\$ 189,393</b>

**HEATHER GARDENS METROPOLITAN DISTRICT**

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

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



# HEATHER GARDENS METROPOLITAN DISTRICT

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## 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 is financially accountable for 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

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### 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 streets 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

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### 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

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### 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

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### 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

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### 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	—
<b>Total Investments By Fair Value Level</b>	<b>\$ 878,262</b>	<b>\$ —</b>	<b>\$ 878,262</b>	<b>\$ —</b>

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
<b>Total Investments</b>	<b>\$ 878,262</b>		

### 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
<b>Business-Type Activities:</b>				
<b>Nondepreciable Capital Assets</b>				
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
<b>Total Nondepreciable Capital Assets</b>	<b>1,890,385</b>	<b>10,460</b>	<b>(32,195)</b>	<b>1,868,650</b>
<b>Depreciable Capital Assets</b>				
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
<b>Total Depreciable Capital Assets</b>	<b>16,223,625</b>	<b>196,646</b>	<b>(9,064)</b>	<b>16,411,207</b>
<b>Total Capital Assets</b>	<b>18,114,010</b>	<b>207,106</b>	<b>(41,259)</b>	<b>18,279,857</b>
<b>Accumulated Depreciation</b>	<b>(7,401,522)</b>	<b>(551,681)</b>	<b>9,064</b>	<b>(7,944,139)</b>
<b>Net Depreciable Capital Assets</b>	<b>8,822,103</b>	<b>(355,035)</b>	<b>—</b>	<b>8,467,068</b>
<b>Total Capital Assets, Net Of Depreciation</b>	<b>\$ 10,712,488</b>	<b>\$ (344,575)</b>	<b>\$ (32,195)</b>	<b>\$ 10,335,718</b>



## 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
<b>Total Long-Term Obligations</b>	<b>\$ 8,319,207</b>	<b>\$ —</b>	<b>\$ (313,526)</b>	<b>\$ 8,005,681</b>	<b>\$ 323,526</b>

#### 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
	<b>\$ 7,405,000</b>	<b>\$ 3,121,400</b>	<b>\$ 10,526,400</b>

#### 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

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### 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:

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

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### Notes To Basic Financial Statements (Continued)

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

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

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### 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.

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### Supplementary Information

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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.

DRAFT FOR  
DISCUSSION PURPOSES  
ONLY

# 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)
<b>Revenues</b>			
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)
<b>Total Revenues</b>	<b>3,283,566</b>	<b>3,259,890</b>	<b>(23,676)</b>
<b>Expenditures</b>			
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
<b>Total Expenditures</b>	<b>\$ 3,324,557</b>	<b>3,016,126</b>	<b>\$ 308,431</b>
<b>Excess Of Revenues Over Expenditures</b>		<b>243,764</b>	
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	
<b>Changes In Net Position Per Statement Of Revenues, Expenses And Changes In Net Position - GAAP Basis</b>		<b>\$ 149,565</b>	

# HEATHER GARDENS METROPOLITAN DISTRICT

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## 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.

**Heather Gardens Metropolitan District  
Board Action  
Date: April 20, 2023**

**Motion: Approve the Budget and Finance Joint Procedure Memorandum (JPM B-1)**

Based on the recommendation of the Budget and Finance Committee, I move that the Heather Gardens Metropolitan District Board of Directors approve the Budget and Finance Joint Procedure Memorandum (JPM B-1) revisions as presented.

Motion by: Bill Archambault Seconded by: \_\_\_\_\_

Outcome of vote:

For: \_\_\_\_\_ Against: \_\_\_\_\_ Absent/Abstaining: \_\_\_\_\_

The motion has a majority and is adopted.

The motion does not have a majority and is not adopted.

\_\_\_\_\_  
David Funk, President  
HGMD Board of Directors

Explanation:



# HEATHER GARDENS BUDGET and FINANCE

## Joint Procedure Memorandum JPM B-1

This Heather Gardens Budget and Finance (B&F) Joint Procedure Memorandum B-1 is updated effective April 18, 2023.

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## I. BACKGROUND

### A. Management Agreement

Heather Gardens Association (Association) and the Heather Gardens Metropolitan District (District) signed an interagency agreement, known as the Management Agreement, whereby the Association serves as the agent for the District in carrying out District programs, such as managing the District finances and operating the golf program, restaurant, clubhouse, and other activities following District Board of Directors policies. The Management Agreement provides for shared advisory committees. As such, the Association and the District agree to have the Budget and Finance (B&F) Committee serve as a shared committee as defined in this Procedure Memorandum to provide advice to each Board, as appropriate, on budgeting and financial functions. The Management Agreement puts forth the Authority of both the Association and District relative to the ongoing operations including the Joint Budget and Finance Committee. It also includes an explanation of the reason for the establishment of the Management Agreement.

### B. Common Words

This Procedure memorandum contains a list of common words and terms used in accounting and finance. The definition of these words and terms are located in Article XI of this document.

### C. Management

Management is the Chief Executive Officer (CEO) or whomever the CEO designates for a given responsibility.

### D. Scope

A single Budget & Finance Committee exists to serve in an advisory role to both the Association and the District with the following key functions:

1. Review and revise the Management recommended operating and capital reserve budgets, for submission to the Association and District Boards;
2. Recommend the Association's homeowners association dues which include a Recreation Fee for the District to finance the respective budgets;
3. Review monthly operating analysis prepared by Management. Consider operational changes that might be advisable and make recommendations as appropriate to the boards;

4. Exercise various responsibilities related to the investment of Association funds which are discussed further in Article VI Investment Procedures and Article VII Banking Procedures. Meet regularly with investment advisors and review Management prepared cash flow expectations. Recommend investment strategies to the Boards that comply with the Association and District policies and which are expected to deliver the desired results;
5. Analyze and recommend the Association and District business insurance programs. Taking care to consider the significance of the HG's insurance program noting the significant risks being insured against and costs to the Association, District and our residents;
6. Prepare, update and recommend the Association and District capital projects financing plans;
7. Review and make recommendations regarding all unbudgeted capital projects over \$5,000 and budgeted capital projects over \$20,000 as well as operating expenditures over \$20,000 with respect to budget expenditures and other possible funding options;
8. Review the internal audits reports of checks paid, ACH payments, petty cash, inventory, and internal controls;
9. In collaboration with Association management, oversee the conduct of the annual external Audits of Association and District financial records for each fiscal year and recommend acceptance or rejection of the audit reports to the Association and District Boards of Directors; and
10. Conduct other duties as assigned by the Association Board and the District Board.

## **II. BUDGET and FINANCE COMMITTEE STRUCTURE and PURPOSE**

### **A. Membership**

The Budget and Finance (B&F) Committee membership is intended to consist of the Association Treasurer, the District Treasurer, and four to seven other resident members/resident electors. The Association Chief Executive Officer, Chief Financial Officer, and other staff assist and advise the B&F Committee membership.

### **B. Treasurers' Roles**

The Association Treasurer and District Treasurer serve as co-chairs. When Association issues are discussed, the Association Treasurer chairs the committee, and the District Treasurer does not vote. The Association Treasurer carries Association recommendations directly to the Association Board of Directors. When District issues are discussed, the District Treasurer chairs the committee, and the Association Treasurer does not vote. The District Treasurer carries District recommendations

directly to the District Board of Directors. Both Treasurers, as members of the committee, are encouraged to provide input on issues before the committee. The Association Board has delegated to the Association Treasurer the responsibility of executing approved investment transactions. In the absence of the Association Treasurer, it is expected that the Association Board President or Vice President or other member of the Board or the Budget and Finance Committee as approved by the Board will complete the duties of the Association Treasurer, See Section VI.

### **C. Subcommittees**

Three permanent subcommittees have been created to aid in the B&F Committee's responsibilities. The Capital Program Subcommittee carries out the capital financing program functions as defined below and detailed in B&F Joint Procedure Memorandum B-2. The Internal Audit Subcommittee carries out the internal audit functions as defined below and detailed in B&F Joint Procedure Memorandum B-3. The Insurance Subcommittee carries out the business insurance functions as defined below and detailed in B&F Joint Procedure Memorandum B-4.

### **D. Ad Hoc Committees**

The B&F Committee may create Ad Hoc Committees, as needed and with the approval of the Board(s), to perform its duties and advise the Association and the District Boards of Directors. When an Ad Hoc Committee is created, it will be given a task, membership, and short-term duration to complete its task and report back to the B&F Committee. The Board(s) can disband the Ad Hoc Committee at any time.

## **III. BUDGET PREPARATION PROCEDURES**

### **A. Budget Initiation**

Budget preparation begins with input from the Association and District Standing Committees, Department Managers, and Chief Executive Officer. Such committees and managers should take care to include the desires of our residents and unit owners relative to programs and operations. They should also reflect Management's plans for increased operational efficiencies. The impacts of inflation should be carefully analyzed. Management is responsible for the preparation of the budget.

### **B. Budget Schedule**

The first action will be the preparation by Management of a Budget Schedule, such as the one shown in Attachment 5. Such schedule shall comply with Colorado requirements for homeowners associations that apply to the Association and Colorado

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laws that apply to the District. Further, such schedule shall meet the requirements of the Bylaws of both the Association and District.

### **C. Management's Budgets**

1. Based on input from the Association and District Standing Committees and department managers, Management prepares the Association and District budgets drafts for Operations and Capital Projects and contributions to capital reserves. The budgets will contain three separate years. The first year will contain the full details for the proposed year and prior years.
2. Materiality is paramount in the budget process. This means that the items of greatest materiality and those items which change the most from previous levels should receive the most attention.
3. Unless the B&F Committee agrees otherwise, Management's Budget(s) for both the Association and District will start with a concise Executive Summary containing information of most significance in the current budget. This summary will then be followed by sections covering the various activities. Management's Association Budget will have the following sections for:
  - a. Budget Preparation Assumptions
  - b. General Revenue
  - c. General Expenses
  - d. Custodial Department
  - e. Contracts Department
  - f. Maintenance Department
  - g. Administrative Department
  - h. Paint Department
  - i. Roads & Grounds Department
  - j. Security Department
  - k. Capital Program Projects
  - l. Capital Program Deposits
  - m. Owners Dues including Gas and Electricity
  - n. Owners Dues excluding Gas and Electricity
  - o. Summary (if the executive summary suffices, this summary may be omitted)
4. Management's District Budget will start with an Executive Summary and have sections for:
  - a. Budget Preparation Assumptions
  - b. Enterprise Revenue (including the Recreation Fee)
  - c. Enterprise Expenses
  - d. Restricted Funds
    1. Conservation Trust Fund
    2. Debt Service Fund

3. Foundation Fund
  - e. Enterprise Programs
    1. Golf Course
    2. Restaurant
    3. Clubhouse
  - f. Summary (if Executive summary suffices, this summary may be omitted)
5. Management's Association and District Budgets will be presented by Cost Center accounting codes. Each Cost Center will have an Expense Summary as well as separate summary for Wages/Benefits and Operating Expenses. Also, see prior budget submissions for further guidance as to expenditure codes needing additional detail.
6. Staffing levels and personnel costs are to be carefully analyzed for all areas. In doing such analysis, care should be taken to maintain the confidential nature of individuals' compensation and other personal information of all employees. As a part of the budget package, Management shall provide additional information regarding employment numbers. Additional information, as needed, is to be provided for all years shown including the following:
  - a. Number of FTE for full time staffing positions
  - b. Number of hours for part-time staffing positions
  - c. Number of overtime hours
  - d. Number of hours for teachers
7. Management's budgets will contain written justification for changes in staffing and descriptions of the key changes from the previous budgets. This should cover not only increases in staffing but also possible reductions in staffing resulting from technology and changes in internal procedures which permit such reductions. Proposed staffing changes should be accompanied by a revised organization chart.
8. Management's budget will include the status of current year capital project completion with details on potential carryover projects and why they are not expected to be completed in the current year.

#### **D. B&F Committee Recommended Budgets**

##### **1. B&F Committee**

The B&F Committee reviews in detail the draft of Management's budgets and addresses all questions raised. For this review the B&F Committee invites the members of the Association and District Boards and the Association membership and District voters to these work sessions. Be sure that all communications make it clear to our members that their input is desired, and that the budget will be

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changed if appropriate. The review dates are identified in the Association/District approved annual Budget Schedule.

2. To the greatest extent possible, agendas should be prepared and disseminated for each budget review meeting. This will enable members to determine which portion of the meetings they would most like to attend.

### 3. Submission

Management will prepare the committee recommended Association and District budgets incorporating all changes recommended by the B&F Committee. The Committee budgets will be distributed according to the approved annual Budget Schedule.

## E. Boards Review

1. The Association Board review date is identified in the approved annual Budget Schedule unless the Association President directs otherwise. The Association Board will review the B&F Committee budgets for the Association and the District and will make a recommendation to the District Board concerning its budget. This meeting serves as a public review meeting for the Association Board to receive comments from the Association Membership before Association budget approval.
2. The District review date is identified in the approved annual Budget Schedule unless the District President directs otherwise. This meeting will serve as a public hearing for the Board to receive comments.
3. Association and District Boards are scheduled to approve their respective budgets at their special meetings as reflected in the Budget Schedule.

## F. Publication of Budgets and Dues Schedules

1. Prepare Association and District budget summaries and mail them to the Association membership and the District voters prior to the Association budget membership meeting based on the approved annual budget schedule.
2. Prepare the approved budget and mail Association Dues schedules and payment coupons to Owners in December. Letters with Association Dues information will be mailed to Owners who have authorized the Association to automatically withdraw their monthly Dues.
3. Upload copies of the Association and District Budget to the Association website.
4. Provide notices on PILERA and through the ARO as well as means deemed appropriate based on the approved annual Budget Schedule. Such notices shall announce the publication of the Association and District budgets and describing



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how to obtain access to the budgets online or obtain a copy.

## IV. BUDGET ADMINISTRATIVE PROCEDURES

### A. Overall Prudence.

Inclusion of an expense in the approved budget does not mean the expense must be made.

**B. Monitoring.** The B&F Committee monitors a broad range of budget-related information at its monthly meetings. The Committee and Management may suggest more abbreviated reviews for areas of lesser materiality or of little variance from the budget.

a. For these meetings, Management shall provide the following reports unless the B&F Committee agrees otherwise:

- 1) Association Balance Sheet
- 2) Association Revenue Expense Statement
- 3) Association Monthly Operating Analysis
- 4) Association Budget Exception Report
- 5) Association Capital Program Report
- 6) Association Investment Listing
- 7) Association department expenses
- 8) District Balance Sheet
- 9) District Profit and Loss Statement
- 10) District Capital Assigned Fund Report
- 11) District Profit and Loss – Restricted Fund
- 12) District Profit and Loss – Enterprise Fund
- 13) District Budget Exceptions Report
- 14) District Investment Listing
- 15) District Golf Profit and Loss Report
- 16) District Restaurant Profit and Loss Report
- 17) District Clubhouse Profit and Loss Report
- 18) District Golf Usage Report
- 19) District Conservation Trust Report
- 20) District Foundation Fund Report
- 21) Any special reports requested by the B&F

b. For the April, July, October and January meetings, Management shall provide a Quarterly Staffing and Work Completion Status Report.

- c. The reports will be distributed to the Association and District Presidents, Board members, and all B&F members, for their review six days, if possible, prior to the B&F meeting
- d. Management reviews with the B&F Committee the contents of these reports and explains significant variances. Management answers committee member's questions.
- e. The Association Treasurer presents pertinent budget information to the Association Board.
- f. The District Treasurer presents pertinent budget information to the District Board.
- g. PM B-3 describes monitoring procedures carried out by the B&F Committee's Audit Subcommittee.

### C. Operations Expense Approval

- a. Non budgeted operating expenditures under \$20,000 are administered by the Chief Executive Officer based upon the staff spending authority schedule approved by the Association Board.
- b. Certain recurring operating expenses will be paid automatically through the bank (ACH Payment). An ACH authorization form is required prior to the initial setup with the bank (see Attachment 1). Listed below are some examples of ACH payments:
  - 1) **Payroll:** Payroll is processed every two (2) weeks to pay the employees, taxes, garnishments, fees, and 401K.
  - 2) **Tax Payments:** Quarterly estimated corporate income taxes are provided by tax accountants. These taxes are paid to the IRS and Colorado Department of Revenue.
  - 3) **Employee mileage and other employee reimbursements:** A monthly mileage reimbursement is paid to employees. Employee who has purchased supplies or paid for work-related travel expenses will be reimbursed upon submission of required support.
  - 4) **Lease:** Leases include (but are not limited to) copier/printer, postage equipment, and fitness equipment.
  - 5) **Utilities:** Examples include trash, internet, telephone, electricity, natural gas, and water.

- 6) Reimbursements:** Any person entitled to a reimbursement and who has Direct Debit may be paid by an ACH.
- c. All non-budgeted operating expenditures over \$20,000 must be initiated using the Request for Expenditure (RE) Attachment 3. All such expenditures will be subject to the RFP, bid and approval procedures, as outlined in Section V below.
  - d. Recurring Expenses. Management is authorized to approve certain recurring expenses that exceed the Chief Executive Officer's \$20,000 spending authority, such as, but not limited to, gas, electricity, water and sewer charges, the refilling of gasoline storage tanks and payroll and income taxes.
  - e. New or renegotiated contracts shall be reviewed by the B&F Committee and Boards within timeframes available for the specific item being considered. Management shall provide advanced notice of the required timeframes as much in advance as possible to allow for meaningful reviews by the Committees and Boards. Example of these items include contracts for Professional Employee Organization (PEO), trash service, gas pricing and insurance. Given the nature and complexity of some of these contracts it may be necessary for either special meetings or work sessions to be called.

## V. CAPITAL EXPENDITURES

### A. Responsibilities

#### 1. Management

- a. Plan and implement actions necessary to originate a project, obtain fund expenditure authorization, and follow the project to successful completion.
- b. Develops contract specifications and requirements, including General Conditions, Scope of Work, and Technical Specifications.
- c. Develops Request for Proposals (RFP).
- d. Solicit contractors for bids on proposals.
- e. Prepare Request for Expenditure (RE) form providing the project justification for projects requiring an RE as outlined below. The project justification should include, but not be limited to:

(1) Title: Something not too long, in most cases one full line or less

(2) Description of the project or issue that needs action

- a. Background and what has already been tried
- b. Related Issues — both positive and negative — to cover the merits and faults
- c. Conclusions

(3) Justification

- a. Why action needed:
  - i. Budget project amount is not sufficient.
  - ii. New information on health and safety concerns, compliance with laws and regulations, and essential replacement.
  - iii. Desirable service or improvement in efficiency with reasonable payback.
  - iv. Clear improvement in standards of living or community amenity.
- b. Supporting documentation
- c. Cost Estimate with appropriate detail
- d. Funding options

(4) Proposal

- a. Statement of the requested action
- b. Define who will do what (department, consultant, etc.)
- c. Cost summary and source of funds requested [such as budgeted project, unanticipated item, insurance, other (to be defined)]
- d. Schedule with the completion date
- e. If this takes Association or District Board action, add a proposal summary in motion form for review and action by related committees and the Board.

f. REs for projects are to be submitted for approval if any of the following apply:

- a. The project is not budgeted.
- b. The project is projected to be over budget.
- c. The scope of the project has materially changed since the budgeting process, or there have been material changes to the project.
- d. The Board(s) has/have requested that an RE\_for a specific project be submitted for review.
- e. Management has chosen to submit a project for review and approval even though it may not be required.

All other projects will be submitted to the appropriate committees and board(s) on an advisory basis using a Reserve Expenditure Advisory Form (Attachment 4).

- g. Enter all capital property into appropriate replacement and depreciation schedules. Inventory is to be valued at acquisition cost.
- h. Report to the respective Board and the Budget & Finance Committee at their monthly meetings on the progress of scheduled capital projects.

2. Standing Committees (except B&F)

Review the projects submitted by Management including the purpose and scope, the bids submitted, the justification and any ancillary materials included with the RE. Such review should assess if the project, bids and vendors have been adequately vetted by Management. Funding is not a factor to be considered at the Standing Committee level. Concurrence or non-concurrence with a proposed project should be acknowledged by the committee chair on the RE and forwarded to the B&F Committee.

3. Budget & Finance Committee

- a. Review RCs received from Standing Committee chairs since the last meeting. Review the requests with respect to funding to include budgeted amounts and if needed other possible funding sources (eg. reserves or reallocation of funds).
- b. Forward to the appropriate Board all REs received since the last monthly meeting, indicating the Committee's concurrence or non-concurrence.

4. Board(s) are to review the recommendations of the standing committees as well as the B&F Committee and the compatibility of the project with other Association and District objectives. After review the Board(s) shall take appropriate action.

**B. Contracting Procedures**

1. When applicable, Management will develop and distribute written Request for Proposal (RFP) to contractors/vendors for a single project that is budgeted to cost more than \$20,000. The RFP may cover more than one year.
- 2 All RFPs will include general conditions, specifications, scope of work, technical specifications and bid requirements. Development of RFPs may make use of outside resources such as experienced vendors and consultants.
3. Bid Requirements:
  - a. For projects less than \$20,000, when possible, two bids are required, and can be received via mail or email.

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- b. For projects of \$20,000 or more, when possible, a minimum of three bids are required, and can be received via mail or email.
  - c. In the event that the minimum bid numbers are not met, Management will provide an explanation for the cause of the lower number.
  - d. The Board(s) may waive the minimum bid requirement for certain projects either prior to the bidding process or after the process has taken place.
  - e. When possible all bids shall be comparable with the same type and capability of equipment, same quantities, similar accessories, similar configurations, similar specifications etc.
  - f. If bids do not meet general comparability standards Management shall provide an explanation of the reason for the differences.
  - g. It is generally accepted that in reviewing bids, many times much more than just "costs" should be considered. Some of the other factors that may come into consideration when reviewing bids and vendors are, but not limited to:
    - 1) Outside references and reviews
    - 2) HG experience with the vendor (positive and negative)
    - 3) Professional certification
    - 4) Management's general assessment of the vendor
4. Special requirements for the procurement of goods, projects, or services for the District:
- When goods, projects or services for HGMD are reasonably expected to cost \$60,000 or more the following requirements should be met:
- a. Advertise in a local newspaper with wide distribution an invitation to prospective bidders that the District will be obtaining bids on for goods, projects or services described as (include a brief description). Interested bidders should contact (name, address, phone number) for additional information by (date).
  - b. When actual bids for the goods or services are sought an advertisement must be placed in a local newspaper showing a description of the goods, projects or services, the date and time bids are due, to whom the bids should be sent, the date and time of public opening of the bids.
  - c. Construction projects requirements are numerous, and the District attorney should be contracted for specifics.
5. All REs under-\$20,000 for items included in the approved budget shall be routed to the Chief Executive Officer for approval.
6. All other REs, except those made for emergencies (see section below), and those not required to be submitted for approval will be submitted for review and approval in the following sequence:

- a. Department Managers
- b. Contract Manager, if necessary
- c. Chief Financial Officer
- d. Chief Executive Officer
- e. Standing Committee Chair
- f. B&F Committee Chair
- g. Association President or District President, whichever is applicable

7. If emergencies occur:

- a. Management takes the initial action required to determine the nature and extent of the problem and the means of correcting it.
- b. In accordance with the normal emergency purchasing procedures, Management obtains a Purchase Order (PO) from the security officer on duty, completes it and:
  - (1) Uses the PO to acquire item or items necessary to effect emergency repair or replacement of facility or equipment.
  - (2) If the amount of purchase is \$7,500 or more, obtain verbal approval of either the Chief Executive Officer, or if not available, the Chief Financial Officer, or the appropriate Board President.
  - (3) Clearly defines the nature of the emergency, as well as actions taken to correct the problem, either on a PO or as an attachment.
- c. On the next workday, Management takes action necessary to obtain approvals appropriate to the emergency.

8. Change orders may be approved by Management if:

- a. Amount of change order is within Management's approval authority and
- b. Total of project cost, including the change order, does not exceed the previously approved budget amount and
- c. Identification of the change order amount, justification, and description of the scope are included in the next report to the B&F Committee, and the status of the project is reported to the Board.
- d. Change orders which do not fit the above three criteria must be approved by the appropriate reviewing authorities using an RC.

### **C. Capital Projects Carry Forward to the Next Year**

Generally, capital projects are expected to be completed during the fiscal year in which funds were appropriated for the project(s).

When a project is not anticipated to be completed by the end of the fiscal year, Management will immediately, but no later than the January meeting of the Budget & Finance Committee, identify in writing, the project including the dollar amount needed to complete the project, and provide a written explanation of the circumstances that caused the project to be incomplete.

The B&F Committee will recommend appropriate action on such Capital projects.

## VI. INVESTMENT PROCEDURES

The process for making investments on behalf of the Association involves several participants and steps. The following provides a brief summary of the process and is followed by more detailed descriptions of the responsibilities of those involved in the process.

The investment procedure for the Association is summarized as follows:

- Assess the Association's expected future cash flows to determine what funds are expected to be needed at what points in time.
- Working with a qualified investment advisor or advisors, develop an investment strategy that complies with the Association's adopted investment policy.
- Determine appropriate investment vehicles that are consistent with the investment strategy.
- Follow appropriate safekeeping, record-keeping, and reporting procedures.

The Association investment policy places basic responsibility for developing the investment strategy, selecting appropriate investment vehicles, and monitoring the success of the program with the Budget & Finance Committee ("Committee"). The Committee will develop and make recommendations to the Association Board of Directors ("Board") for final approval. The following summarizes the responsibilities of the Committee and other key participants in the process.

### A. Budget and Finance Committee:

1. Define investment advisor candidate evaluation criteria.
2. Prepare Request for Proposal, including the scope of services requested and send a list of prospective candidates.



3. Review and evaluate proposals and select candidates for interviews.
4. Conduct interviews with candidates; review with them the adopted investment policy as well as qualifications and desired compensation of the candidates
5. Recommend investment advisory candidate(s) to the Board.
6. In consultation with the Association's legal counsel, review and recommend a contract with the selected financial advisor(s) for execution by the Board.
7. Working with a financial advisor and with a comprehensive cash flow projection for each fund source, develop and recommend the investment strategy to the Board.
8. Working with the financial advisor, recommend specific investment vehicles consistent with the approved investment strategy.
9. Monitor chosen investment vehicles and modify the investment strategy and or vehicles in accordance with performance and changes in economic climate.

**B. Investment Advisor:**

1. Research and develop suggestions, conforming with policy, for a draft investment strategy for review and discussion with the Committee.
2. Based on cash flow projections provided by Association management, recommend specific investment vehicles that will help accomplish the objectives of diversity and laddering set forth in the policy.
3. Monitor investment performance and provide regular reports to the Committee.

**C. Association Management:**

1. Prepare an annual cash flow projection for the Association for each fund source using current balances and expected inflows/outflows and present to the financial advisor and Committee.
2. Arrange movement of funds to the appropriate location/account for timely closings of investment transactions.

3. Reconcile investment records received from the custodian to accounting records and record income as realized, including amortization and/or accretion entries for any discounts or premiums.
4. Consult with the auditor to determine the most appropriate means of completing the compliance review of the Association's investing activities with its policy.

**D. Association Treasurer:**

1. Present reports, recommendations, and other matters related to investing to the Board.
2. With the assistance of the advisor and management, execute Association Board-approved purchases and/or sales of investments for the Association. Keep accurate records of all completed transactions, Report such information to Management in settling the transactions.

**E. Association Board of Directors:**

1. Based on the recommendation of the Budget & Finance Committee, approve the selection of a financial advisor and contract.
2. Review and approve the Association's investment strategy as recommended by the Committee, and the investments suggested to meet the strategic objectives.

## **VII. BANKING PROCEDURES**

The volume of transactions conducted by the Association and the District in most months requires bank balances that may exceed the protection offered by the FDIC. Therefore, the following procedures apply.

- A. The Association and the District funds will be deposited only in banks that are large enough and strong enough to have satisfactory ratings from all three major rating services. Standard & Poor, Moody, and Fitch. However, Certificates of Deposits in amounts equal to or less than the FDIC insurance maximum may be placed in any bank that offers FDIC insurance or in U. S. Government notes, bills or bonds.
- B. All District accounts must follow the requirements of the Public Deposit Protections Act (PDPA).

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- C. Decisions as to changes in the Association's and the District's banking arrangements and selection of banks are the responsibility of the Boards of Directors, based upon recommendations of the B&F Committee.
- D. The B&F Committee will make banking recommendations to the Boards of Directors based upon information that contains, but is not limited to, the following criteria:
1. Strength of the bank as shown by its rating as set forth by the various bank rating services.
  2. Service charges for such items as:
    - a. ACH Fees
    - b. Internet availability of monthly bank statements and related items
    - c. Deposits and electronic checks
    - d. General Account Maintenance
    - e. Online Banking
    - f. Investment Services
  3. Account earnings allowance rate.
- E. Management shall report any problems in dealings with the banks to the B&F Committee and the Boards.
- F. The Board Treasurers and Internal Audit Subcommittee Chair with Management will review the banking reconciliation statements.
- G. Refer to the Association Policy Manual (Finance – 1 Banking Policies) for information on banking authority assigned to Management and Board members. At least annually a resolution shall be presented to the Board(s) for approval naming all authorized signers on all bank accounts.

## **VIII. ANNUAL EXTERNAL AUDIT and TAX RETURN PREPARATION**

### **A. Management**

1. Work with the contracted Audit Firm to establish the process and schedule for each annual audit and for the preparation of the annual tax returns;
2. Provide appropriate workspace for the Audit firm's staff to do their on-site work on the audit;
3. In a timely manner, provide copies of all requested documents and respond to all questions;
4. Review the initial draft of the audit reports in concert with the Audit Partner and Senior Manager to assure that all issues have been properly addressed and that changes requested by the Audit firm make sense from the viewpoint of the Chief financial Officer, Chief Executive Officer, and the appropriate Treasurer;
5. Make all adjusting entries and other final entries to the year-end financials as requested by the Auditor; and
6. Facilitate the posting of the completed Audit reports on the Heather Gardens website and make paper copies of the Audit report(s) for interested parties as requested.
7. In a timely manner, file the accepted audit reports with the relevant State organizations and the completed tax returns with the taxing authorities.

## **B. Budget and Finance Committee**

In collaboration with Association management, oversee the conduct of the annual external Audits of Association and District financial statements for each fiscal year and recommend acceptance of the audit reports to the Association and District Boards of Directors, including the following:

1. Monitor the status of the conduct of the Association and District Audits;
2. Receive and review the draft audit reports and provide feedback to the auditors;
3. Receive and review the parts of the Report on Governance, Internal Controls, Material Weaknesses Audit Management Letter that relate to financial policies and procedures and make appropriate recommendations for change to management and the Board (Note: Parts of the Management Letter that may result in a personnel action will not be presented to the Budget & Finance Committee, but will instead be presented by the Auditor in Executive Session to the appropriate Board of Directors.); and
4. Make a recommendation to each Board as to acceptance of the annual audit reports.
5. An important responsibility of the B&F Committee is to evaluate the external auditor's performance. This is done in order to recommend to the Boards, the appointment, re-appointment and, if required, the replacement or removal of the auditor. The B&F should solicit the input of management in performing this evaluation. The assessment should cover the professional competencies in conducting the audit and completeing the tax returns, value added recommendations made by the auditor, and client service issues. This process should be formalized by the B&F Committee and conducted annually.

**C. Association and District Boards of Directors**

1. Receive copies of the two completed audit reports by the selected Audit firm;
2. Based on recommendations from the Budget & Finance Committee, accepts the final audit reports;
3. Receive copies of the Management Letter and act as appropriate on recommendations made by the Budget & Finance Committee and the Auditor; and
4. Assure that the accepted audit reports are filed with the relevant State organizations and posted on the Heather Gardens website for review by interested parties. A paper copy of one or both audit reports will be made available to interested parties upon request.
5. To provide the external auditor the opportunity to communicate privately and candidly with the Boards and members of the B&F Committee and similarly, to provide the Boards and B&F Committee with the opportunity for candid questioning of and private discussions with the external auditor. A portion of the exit interview will be held in an Executive session including both Boards and the B&F Committee with the Audit firm. The CEO and CFO should not be a part of this session.

**D. Consideration for switching Auditors**

Circumstances may arise that indicate a need for switching Auditing Firms. Switching auditors is not a simple and routine matter without consequences and should only be considered if a careful review of the facts indicate a need to do so. Rotating auditors just because other institutions do it or because the auditors give you professional advice you did not like does not necessarily raise to the level of constituting a need to engage different auditors.

Consequences of changing audit firms. The following article sets forth what to expect if a change is made.

What are the Consequences of Audit Firm Rotation?

With audit firm rotation, disruption with a capital “D” occurs and affects everything, often to the detriment of the nonprofit. A study of auditor tenure conducted by professors at the University of Richmond and Texas A&M international University concluded:

The results do not support the arguments of those who propose mandatory auditor rotation and suggest that contrary to the concerns of the SEC, there is an inverse relationship between auditor tenure and auditor reporting failures.

The AICPA opposes mandatory audit firm rotation, citing the often costly and unintended consequences that may result. Instead the AICPA recommends the

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strengthening of audit committees and encourages them to be more proactive in their interactions with and supervision of the auditors.

#### How Do You Determine What's Best for Your Organization?

- Ensure independence and objectivity: Ask yourself whether your current firm adheres to and performs in accordance with auditing standards. In addition, all firms are subject to a peer review process every three years to ensure the process of independence and objectivity are followed. Ask your firm for its most recent report.
- Look for participation: Is your auditing firm anxious to meet with your audit committee to discuss procedures, help them understand objectivity and discuss any matters that have come to the auditor's attention? Passionate auditors are valuable to the success of your organization.
- Consider technology and communication preferences: Be sure to consider the technology tools and methods of communication your team is most comfortable with. Some nonprofits will continue to operate cautiously and conduct business digitally. Make sure your audit firm can perform audits remotely using innovative technology.

#### The arguments for rotation include:

- Audit objectivity: While there is not a standard for mandatory audit firm rotation, some believe it is necessary for audit independence.
- A "fresh look": Depending on organizational and environmental conditions, your audit may profit from a new perspective.
  - The antidote for this argument is to ask your audit firm to rotate the engagement team-partner and/or staff. This allows you to retain the expertise, industry knowledge, and service you're receiving from the incumbent firm while adding the "fresh look" component you might be seeking.

#### The arguments against rotation include:

- Increased costs: More costs may be incurred by the organization and its staff in the procurement process and initiation of a new firm. There may also be an increase in audit costs due to additional time spent in the first years of an audit relationship. Of note: The Government Accountability Office surveyed hundreds of companies and auditors about audit firm rotation and reached the general conclusion that rotation increases costs and has very little, if any, on the quality of audits.
- Decreased service levels: Some organizations notice the level of service they receive from their audit team declines as the relationships come to a close. This should not be the case, but it does happen occasionally and thus should be considered.

- Loss of existing organizational knowledge and relationships: Your audit firm likely has a good handle on your industry and your organization. Starting from scratch when it comes to building relationships and bringing a new firm up to speed can feel daunting.

#### Consider Level and Quality of Service

If you are not receiving the level and quality of service you expect, discuss the issues with your auditors. If they are no longer able to meet your standards, a change may be in order. But it's important to remember that change does not come without cost.

#### Here are six signs you may need a new audit firm:

- Your current firm is not keeping up with new regulations and standards.
- You are not being treated like a partner.
- You are worried your firm may be missing something important.
- Your audit firm is not quick to respond to your questions or concerns.
- Your auditors seem to lack experience.
- Your firm hits you with surprise bills.

## IX. IMPOUND FUND

### A. Background

1. Authority for the Impound Fund maintained by Heather Gardens Association (Association) was established in the original Declaration of Condominium and was retained in Article 6.7a of the current Amended and Restated Declaration of Condominium described in part as follows: "...collect from each owner at the time each owner purchases or acquires a unit a sum equal to six times the current estimated monthly common element expenses for the unit. Said sum may be used by the Association as working capital, or to apply against a delinquent account of an owner, and shall be refunded to the owner upon the sale or transfer of the unit less any amounts then due by said owner to the Association."
2. The funds received are deposited in and disbursed from the Association's Operating bank account. In the aggregate, the impound funds serve as an important element of working capital for the Association's operations.
3. Funds in the Impound Fund will be invested in accordance with the terms of the Investment Policy. See VI Investment Procedures.

## **X. BUDGET and FINANCE SUBCOMMITTEES**

### **A. Capital Programs and Funding**

Conducted by the Capital Program Subcommittee with details in JPM B-2 which include:

1. Monitoring the status of the Association and District capital programs and project status.
2. Guiding the preparation and annual updates of the Association and District Capital Project Financing Plans.
3. Recommending annual capital deposits into the Association and District capital program funds.

### **B. Internal Audit Program**

Conducted by Audit Subcommittee with details in JPM B-3 which includes:

1. Overseeing the inventory of Association and District consumable and fixed assets.
2. Reviewing the previous month's paid invoices.
3. Randomly auditing petty cash and procedures in all departments.

### **C. Business Insurance Program**

Conducted by the Insurance Subcommittee with details in JPM B-4 which includes:

1. Reviewing exposures to loss and all existing business insurance coverage.
2. Recommending whether to seek the services of a new broker as needed.
3. Recommending Association and District business insurance packages.

## **XI. BUDGETING and ACCOUNTING TERMS**

Positions on the Association and District Board of Directors and associated committees are filled by volunteers. It is noted that Board members are elected from among those who volunteer. Committee members are appointed volunteers. Most of these volunteers have at least two characteristics in common:



- a. Individually and/or collectively they are technically qualified for the positions they hold because of their extensive experience in industry, business, and/or government at federal, state, or local levels.
- b. They have some familiarity with and recognize the importance of budgeting and accounting systems. Their knowledge level and experience may be with systems of several different types, and they may use terms and procedures, which, in some cases, vary significantly in application.

The purpose of this Section XI is to provide a glossary of terms and definitions as a means of enhancing understanding of the matters deliberated by the B&F Committee and minimizing misunderstanding in Heather Gardens' management activities.

When individuals participate in committee meetings and deliberations, they should strive to conform their comments to the definitions in this Section XI.

**A. Accrual Basis of Accounting.** Accrual accounting is a financial accounting method that allows an enterprise to record revenue before receiving payment for goods or services sold and record expenses as they are incurred regardless of when money exchanges hands.

1. Record revenue as it is earned, not as it is received.
2. Recognize and record purchases and expenses when the title or benefit and obligation of ownership changes hands from seller to buyer.
3. The percentage of completion method is a revenue recognition accounting concept that evaluates how to realize revenue periodically over a long-term project or contract. Revenue, expenses and gross profit are recognized for each period based on the percentage of work completed or costs incurred.
4. During the year, major expenses are accrued monthly. At year-end, all expenses for the year are accrued.

**B. Depreciation and Accumulated Depreciation.** Accumulated depreciation is the total amount of depreciation of a company's assets, while depreciation expense is the amount that has been depreciated for a single accounting period. Depreciation is an accounting entry that represents the reduction of an asset's cost over its useful life. In other words, depreciation spreads out the cost of an asset over the years, allocating how much of the asset that has been used up in a year, until the asset is obsolete or no longer in use. Without depreciation, a company would incur the entire cost of an asset in the year of purchase, which would negatively impact profitability. Put another way accumulated depreciation is the total amount of an assets' cost that has been allocated as depreciation expense since the asset was put into use.

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- C. **Audit.** The process of examining an organization's financial records to determine if they are accurate and in accordance with any applicable rules (including accepted accounting standards), regulations, and laws. External auditors (CPA firms) come from outside the organization to examine accounting and financial records and provide an independent opinion of these records.
- D. **Balance Sheet.** A financial statement that shows the financial position by summarizing the assets, liabilities, and equity at a specific date is prepared monthly by Management for the Association and the District. The annual reports are prepared annually by Management and published in the audited financial statements.
- E. **Capital Property.** Capital Property is that which has a useful life of more than one year and a cost in excess of \$5,000.
- F. **Capital Project.** Capital Project is a contracted project, usually a construction or major repair of a capital property item.
- G. **Capital Projects Financing Plan.** Thirty-year plan (updated annually) of major expenditures for facilities and equipment. The Plan should list all capital components for its entity, estimated life, and cost of replacement. The Capital Projects Financing Plan will be based on these estimated needs and adjusted annually to provide sufficient funds for current needs and to accumulate funds for future estimated needs while maintaining a stable annual assessment rate.
- H. **Capital Program Expenditures.** A cost incurred to acquire a long-lived asset. (See Capital Property and Capital Project above)
1. A reconditioning or major overhaul that will extend the useful life of an item beyond the original estimate is considered a capital reserve expenditure.
  2. Obsolescence can be a factor limiting the useful life of the item.
- I. **Capital Reserve Fund / Assigned Fund.** Association and District use this fund to account for financial resources to be used for the acquisition of facilities and equipment, construction, and/or significant maintenance of major capital facilities.
- J. **Carry Forward Appropriation / Expenditure.** Moneys not spent in the prior accounting period and carried forward to the next accounting period. This is usually in reference to capital program expenditures.
- K. **Impound Fund.** All Heather Gardens owners must contribute an amount equal to 6 months of the Current Common Expense Assessment when a unit is purchased. Association, as stated in the Declaration, may use these funds for working capital. Upon the owner selling a unit to another buyer, the Association will refund the original amount of impound back to the owner, assuming that there is no balance

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due on the owner's account. This is important for two reasons. First, it provides a cushion to the Association against the possibility that the owner fails to meet its obligations. Second, in the aggregate the impound funds serve as an important element of capitalizing the Association's operations and capital projects purchases.

- L. **Conservation Trust Fund.** District uses this fund to account for financial resources to be used for park and/or recreational improvements as a result of moneys obtained from the Colorado State Lottery.
- M. **Cost Principal.** Association's and District's policy of accounting for assets at their acquisition cost.
- N. **Debt Service Fund.** District uses this fund to account for the accumulation of resources for and the payment of long-term debts, principal, interest, and related costs as authorized by the District electors.
- O. **Enterprise Fund.** The operating fund of HMGD. It is used to account for all financial resources except those required to be accounted for in another fund. See Debt Service Fund, Assigned Fund Balance, Conservation Trust Fund, and Foundation Fund definitions.
- P. **Heather Gardens Foundation Fund.** District uses this fund to account for donations received by the District and how the donations are used.
- Q. **Inventory.** Supplies and goods on hand and available for use and sale by Association.
- S. **Monthly Operating Analysis (MOA).** A variance analysis of actual revenue and expense compared to the budget for the Association and District.
- T. **Operations Budget.** A plan or forecast for a future period expressed in quantitative terms. Intends to establish objectives, determine needed dues form members and aid in achieving these objectives with the resources available. Applies only to the day-to-day operations of the organization.
- U. **Pooled Cash and Interest.** Association and District each follow the practice of pooling cash and investments to maximize interest earnings. Association funds, as well as all capital program funds, are recorded separately. All District cash, except when required by a trust or other agreements, is deposited to and disbursed from a single bank account.

Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. By District Board action, all interest earned from the Debt Service Fund reduces the mill levy. See VI Investment Procedures for additional information.

V. **Full-Time Equivalent (FTE).** One position filled continuously for one year. FTE does not mean full time employee.

**XII. PREVIOUS JPMs**

- A. PM B-1 Budget Preparation, Administration and Banking, dated September 9, 2014.
- B. PM B-2 Capital Expenditures dated April 11, 2017
- C. PM B-4 Budgeting and Accounting Terms unused in Heather Gardens dated September 9, 2014.

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Jill Bacon, Association President

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David Funk, District President

ATTACHMENT 1

<p><b>HEATHER GARDENS ASSOCIATION ACH PAYMENT AUTHORIZATION FORM</b></p>
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DATE: \_\_\_\_\_

VENDOR: \_\_\_\_\_

AMOUNT: \_\_\_\_\_ ACCOUNT CODE: \_\_\_\_\_  
*(Amount can be an estimate. If estimate, enter the highest amount.)*

PAYMENT START DATE: \_\_\_\_\_ PAYMENT END DATE: \_\_\_\_\_  
*(If no end date, enter Perpetual.)*

PAYMENT FREQUENCY: WEEKLY BI-WEEKLY MONTHLY QUARTERLY ANNUALLY

OTHER: \_\_\_\_\_

DESCRIPTION:

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

\_\_\_\_\_  
Date

\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

\_\_\_\_\_  
Date

\_\_\_\_\_  
CHECK SIGNING BOARD MEMBER

\_\_\_\_\_  
Date

**ATTACHMENT 2**

**HEATHER GARDENS ASSOCIATION and DISTRICT**

PROJECT: \_\_\_\_\_  
 DEPT: \_\_\_\_\_ DATE: \_\_\_\_\_

<b>BUDGET</b>	<b>Budget Amount:</b>	<b>\$</b>	<b>Contract Amount:</b>	<b>\$</b>
Year:	Expended YTD:	\$ 0.00	Change Order Res.:	\$
Tab:	Unexpended Balance:	\$ 0.00	Total Project Cost:	\$
Page:			Add. Funds Requested:	

**DESCRIPTION:**

**JUSTIFICATION:** (Attach backup material as required)

**BID COMPARISON:** (If required, summarize, or attach separate schedule.)

**RECOMMENDATION:**

1. Dept. Head	2. CFO	3. CEO	4. Dept. Chair	5. B&F Committee	6.HGA or HGMD President
<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur <input type="checkbox"/> Concur with Justification	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur

ATTACHMENT 3

**HEATHER GARDENS ASSOCIATION & DISTRICT  
CAPITAL RESERVE EXPENDITURE ADVISORY**

PROJECT: \_\_\_\_\_

DEPT: \_\_\_\_\_ DATE: \_\_\_\_\_

BUDGET Year: _____ Tab: _____ Pg: _____	Budget Amount: \$ _____ Expended YTD: \$ _____ Unexp. Balance: \$ _____	Contract Amount: \$ _____ Change Order Res.: \$ _____ Total Project Cost: \$ _____ Add. Funds Request: \$ _____
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**BUDGET & FINANCE REVIEW:**

- Project has been evaluated by recommending Committee.
- Project/Expenditure is planned & part of the Approved Capital Reserve Budget?
- Three (3) Bids were evaluated & part of the due diligence of project.
  - If No, Is this Explained & Reasoning Provided within bid comparison section?
- Project Meets or is Below the Approved Expenditure Budget?
- Will additional monies be required to complete the project?
  - If Yes, will the project still meet or be below budget.
- Has the Expenditure taken place?
  - If no, when will the expense occur?
- Have all Required Signatures for Approval been obtained at the time of review?

**JUSTIFICATION:** (Attach backup material as required)

**BID COMPARISON:** (If required, summarize or attach separate schedule.)

- 1.
- 2.
- 3.

**ADDITIONAL INFORMATION:** (Attach backup material as required)

1. Department Head	2. CFO	3. CEO	4. Department Comm. Chair	5. Budget & Fin. Committee	6. HGA President	7. HGMD President
<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur <input type="checkbox"/> Concur with Justification	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-concur

Check concur, non-concur or concur with justification, then initial. Attach comment sheet if you like.

**\*Capital expenditures, except emergency replacements and weatherproofing performed by HGA labor, are approved/revised as follows: All Items require Block 1, 2 (when needed), and 3 through 8 completed.**

**ATTACHMENT 4**

**In addition to the provisions of this PM the following governing documents must be considered in all budget and finance matters.**

1. Colorado Common Interest Ownership Act (CCIOA)
2. Amended and Restated Condominium Declaration for Heather Gardens
3. Bylaws of the Heather Gardens Association
4. Bylaws of the Heather Gardens Metropolitan District
5. Colorado Special District Act



## ATTACHMENT 5 (SAMPLE)

### HGA AND HGMD BUDGET DEVELOPMENT SCHEDULE FOR 2023 BUDGET YEAR

#### DATES:

Monday, June 20, 2022	B&F Committee Recommends 2023 Budget Development Schedule
Tuesday, June 21, 2022	2023 Budget Development Schedule approved by HGA Board
Thursday, June 23, 2022	2023 Budget Development Schedule approved by HGMD Board
Monday, July 18, 2022	Copy provided to Heather 'n Yon and ARs for posting and sent via PILERA, etc.
Thursday, August 18, 2022	Budget Schedule article provided to Heather 'n Yon for September issue
Friday, September 9, 2022	Manager's Budget Draft and summary delivered to B&F Committee Members and the Board of Directors of both HGA and HGMD. The budget draft and summary are made available on the website.
Monday, September 26, 2022 through Thursday, September 29, 2022	B&F Committee conducts budget workshops beginning at 9 AM. Budget workshops continue starting at 9 AM on extra days if needed. Directors of HGA and HGMD are strongly urged to attend. B&F Committee recommends 2023 budgets to both Boards. During the budget workshops (September 26 through September 29), the Joint Budget and Finance Committee encourages and will take questions from owners/residents after each section of the budget is reviewed.
Thursday, October 13, 2022	10 AM. At a <b>Special</b> HGMD Board Meeting, the District Board accepts the 2023 proposed budget and conducts a Public Hearing on the proposed 2023 budget. After hearing comments, the Board may modify the budget and adopts its 2023 budget. Owners/residents are encouraged to ask questions regarding the budget at the October 13th Special HGMD Board meeting. Colorado statutes provide that for governmental agencies, the Board of Directors (the Legislative body) sets the final budget.
Thursday, October 13, 2022	1 PM. At a <b>Special</b> HGA Board meeting, the Association Board hears comments and may make changes to the HGA 2023 Budget, approves the 2023 budget, and sets membership veto vote (between 15 and 50 days after notice). Owners/residents are encouraged to ask questions regarding the budget at the October 13th Special HGA Board meeting.
Wednesday, October 19, 2022	Association and District Budget summaries are available on the website and email to the membership. Ballots are mailed to the membership for mail-in voting. Full copies of the Association and District budgets available in the Administrative Office.
Tuesday, November 1, 2022	<b>Auditorium</b> 6:30 PM. Evening Membership meeting to present and discuss the budget
Wednesday, November 2, 2022	10 AM. Daytime Membership meeting to present and discuss the budget
Thursday, November 3, 2022	1 PM. Afternoon time Membership meeting to present and discuss the budget
Friday, November 18, 2022	<b>Veto Ballots</b> are due by close of business (Friday before Thanksgiving) A special committee of volunteers will be assembled to count the ballots. Majority of the membership is required to veto the Board approved budget.
Wednesday, November 23, 2022	Communicate Veto vote results to the community (Day before Thanksgiving)
Thursday, December 15, 2022	District <b>MUST</b> have 2023 property tax mill levy to Arapahoe County by this date.

**Heather Gardens Metropolitan District  
Board Action  
Date: April 20, 2023**

**Motion: Approve to Extend the Audit Subcommittee Membership term for another year until April 2024**

Based on the recommendation of the Budget and Finance Committee, I move that the Heather Gardens Metropolitan District Board of Directors approve extending the term for the following members of the Audit Subcommittee: Karen Kasprzak, Karen McClaury, Barbara Schneller, and Rita Lusk for another year until April 2024.

Motion by: Bill Archambault Seconded by: \_\_\_\_\_

Outcome of vote:

For: \_\_\_\_\_ Against: \_\_\_\_\_ Absent/Abstaining: \_\_\_\_\_

The motion has a majority and is adopted.

The motion does not have a majority and is not adopted.

\_\_\_\_\_  
David Funk, President  
HGMD Board of Directors

Explanation: The above-mentioned members are efficient and do a great job.