
HEATHER GARDENS
METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Heather Gardens Metropolitan District
Aurora, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Heather Gardens Metropolitan District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the District as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budget and actual schedule and note 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report On Summarized Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

July 21, 2021

HEATHER GARDENS METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2020

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, 2020. Please read it in conjunction with the District's financial statements, which begin on page 9.

Overview of the Financial Statements

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

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position as of December 31, 2020. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the District.

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

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

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

Financial Highlights

- The District's net position decreased by \$141,935 or 2.9% as a result of this year's operations, based on beginning of year net position.
- During the year, the District's operating revenues decreased by \$548,132 or 20.6% from revenues in 2019. The District's operating expenses decreased \$652,129 or 20.7% from expenses in 2019.
- Non-operating revenues decreased by \$29,451 or 4.6% as a result of a decrease in property taxes collected, specific ownership taxes, and lower bond interest income. There was a slight decrease in Conservation Trust Fund entitlement and interest earned on Certificates of Deposit.
- Non-operating Expenses increased by \$25,270 or 7.3% due to a loss on sale of asset.
- 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 \$260,000 or 3.2%

Financial Summary and Analysis

Capital Assets

	2020	2019	2018
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	18,515	—	—
Property, furniture and equipment	16,078,770	16,053,966	15,914,727
Less accumulated depreciation	(6,847,098)	(6,271,023)	(5,633,271)
Total Capital Assets - Net	\$ 11,108,377	\$ 11,641,133	\$ 12,139,646

For additional information, see note 4.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (Continued)

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

	2020	2019	2018
Current assets	\$ 2,209,103	\$ 1,852,078	\$ 2,143,797
Noncurrent assets	395,242	381,388	53,966
Capital assets, net of accumulated depreciation	11,108,377	11,641,133	12,139,646
Total Assets	13,712,722	13,874,599	14,337,409
Deferred Outflows of Resources	647,074	679,564	712,053
Current liabilities	728,123	421,938	424,523
Long-term liabilities	8,352,734	8,656,260	8,949,295
Total Liabilities	9,080,857	9,078,198	9,373,818
Deferred Inflows of Resources	493,757	548,848	557,316
Invested in capital assets, net of related debt	3,132,717	3,404,437	3,652,404
Restricted	412,900	399,396	1,275,651
Unrestricted	1,239,565	1,123,284	190,273
Total Net Position	\$ 4,785,182	\$ 4,927,117	\$ 5,118,328
Operating revenues	\$ 2,114,718	\$ 2,662,850	\$ 2,300,116
Nonoperating revenues	617,448	646,899	568,382
Total Revenues	2,732,166	3,309,749	2,868,498
Operating expenses	2,502,569	3,154,698	2,823,161
Nonoperating expenses	371,532	346,262	354,151
Total Expenses	2,874,101	3,500,960	3,177,312
Changes In Net Position	(141,935)	(191,211)	(308,814)
Ending Net Position	\$ 4,785,182	\$ 4,927,117	\$ 5,118,328

The District's non-operating revenue decreased almost \$30,000 due to decreased property taxes, specific ownership taxes, and lower bond interest income. The District attempts to collect in property taxes the amount needed for principal and interest on its outstanding bonds. These decreases included slight decreases in Conservation Trust Fund (lottery) entitlement and interest earned on certificates of deposit.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

Long-Term Debt Outstanding

	<u>2020</u>	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 7,955,000	\$ 8,215,000	\$ 8,465,000

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 2020, the District paid down the principal by \$260,000 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

Due to the partial closure of the District's facilities in 2020 resulting from the COVID-19 pandemic, revenues were \$678,225 below budget. There were no budget amendments made for 2020.

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 COVID-19 pandemic had a significant impact on the District's operations for the year ended December 31, 2020. The District made sales totaling approximately \$670,000 from restaurant income, golf course fees, and clubhouse usage; a 51% decrease from 2019. Management expects continued disruption to revenue from community activity for the first half of 2021. Business volume is expected to increase the second half of 2021 as restrictions are eased or eliminated.

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, Controller, 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, 2020

(With Comparative Totals As of December 31, 2019)

Assets And Deferred Outflows Of Resources

	Proprietary Fund	
	2020	2019
Current Assets		
Cash and cash equivalents	\$ 883,632	\$ 495,784
Certificates of deposit	750,000	750,000
Property tax receivable	493,757	548,848
Accounts receivable, net of allowance for doubtful accounts of \$1,000 in 2020 and 2019, respectively	28,079	8,104
Inventory	38,254	29,699
Due from the Foundation	3,973	—
Other current assets	11,408	19,643
Total Current Assets	2,209,103	1,852,078
Noncurrent Assets		
Cash restricted	395,242	381,388
Nondepreciable assets	1,743,515	1,725,000
Intangible assets	133,190	133,190
Depreciable assets, net of accumulated depreciation of \$6,847,098 and \$6,276,188 in 2020 and 2019, respectively	9,231,672	9,782,943
Total Noncurrent Assets	11,503,619	12,022,521
Total Assets	13,712,722	13,874,599
Deferred Outflows Of Resources		
Deferred loss on 2010 bond refunding	647,074	679,564

Liabilities, Deferred Inflows Of Resources And Net Position

Current Liabilities		
Accounts payable	8,659	33,268
Interest payable	32,702	41,557
Deposits	13,536	14,202
Due to the Association	314,674	821
Unearned revenue	65,588	49,126
Unspent insurance claim	22,964	22,964
Current portion of bonds payable	270,000	260,000
Total Current Liabilities	728,123	421,938
Long-Term Liabilities		
Bonds payable	8,352,734	8,656,260
Total Liabilities	9,080,857	9,078,198
Deferred Inflows Of Resources		
Unearned property tax revenue	493,757	548,848
Net Position		
Net investment in capital assets	3,132,717	3,404,437
Restricted	412,900	399,396
Unrestricted	1,239,565	1,123,284
Total Net Position	\$ 4,785,182	\$ 4,927,117

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For The Year Ended December 31, 2020 (With Comparative Totals For the Year Ended December 31, 2019)

	Proprietary Fund	
	2020	2019
Operating Revenue		
Recreation use fees	\$ 1,382,809	\$ 1,207,665
Restaurant income	271,390	753,937
Golf course fees	364,875	360,625
Clubhouse fees	33,590	243,578
Recreational vehicle lot rentals	35,231	41,618
Other operating revenue	26,823	55,427
Total Operating Revenue	2,114,718	2,662,850
Operating Expenses		
Clubhouse, golf course, recreational vehicle lot	1,273,380	1,391,272
Professional services and insurance	131,066	136,260
Depreciation	586,883	637,752
Restaurant expenses	457,395	945,197
Other operating expenses	53,845	44,217
Total Operating Expenses	2,502,569	3,154,698
Loss From Operations	(387,851)	(491,848)
Nonoperating Revenue		
Property taxes	548,743	557,316
Specific ownership taxes	39,858	42,952
Income on certificates of deposit	11,441	27,711
Conservation Trust Fund entitlement	17,406	18,920
Total Nonoperating Revenue	617,448	646,899
Nonoperating Expenses		
Interest	322,580	337,037
Amortization of bond premium, net	(33,526)	(33,035)
Amortization of deferred loss on bond refunding and discount	32,489	32,490
Other nonoperating expenses	9,144	9,770
Loss on disposition of assets	40,845	—
Total Nonoperating Expenses	371,532	346,262
Change In Net Position	(141,935)	(191,211)
Net Position - Beginning Of Year	4,927,117	5,118,328
Net Position - End Of Year	\$ 4,785,182	\$ 4,927,117

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS For The Year Ended December 31, 2020 (With Comparative Totals For The Year Ended December 31, 2019) Page 1 Of 2

	For The Years Ended December 31,	
	2020	2019
Cash Flows From Operating Activities		
Payments received from customers	\$ 2,106,567	\$ 2,634,428
Payments to suppliers for goods and services	(1,626,762)	(2,460,918)
Net Cash Provided By Operating Activities	479,805	173,510
Cash Flows From Noncapital Financing Activities		
Specific ownership taxes	39,858	42,952
Other nonoperating expenses	(9,144)	(9,770)
Net Cash Provided By Noncapital Financing Activities	30,714	33,182
Cash Flows From Capital And Related Financing Activities		
Property taxes levied for debt service, net	548,743	557,316
Principal paid on long-term debt	(260,000)	(250,000)
Interest paid on long-term debt	(331,435)	(327,516)
Conservation Trust Fund entitlement	17,406	18,920
Acquisition of property and equipment	(94,972)	(139,239)
Cash received from insurance claim	—	22,964
Net Cash Used In Capital And Related Financing Activities	(120,258)	(117,555)
Cash Flows Provided By Investing Activities		
Income on certificates of deposit	11,441	27,711
Net Increase In Cash And Cash Equivalents	401,702	116,848
Cash And Cash Equivalents - Beginning Of Year	877,172	760,324
Cash And Cash Equivalents - End Of Year	\$ 1,278,874	\$ 877,172

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2020

(With Comparative Totals For The Year Ended December 31, 2019)

Page 2 Of 2

	For The Years Ended	
	December 31,	
	2020	2019
Reconciliation Of Loss From Operations To Net Cash Provided By Operating Activities		
Loss from operations	\$ (387,851)	\$ (491,848)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	586,883	637,752
Changes in assets:		
Receivables	(23,948)	33,309
Prepaid expenses	—	46,649
Inventory	(8,555)	(7,278)
Other assets	8,235	(3)
Changes in liabilities:		
Accounts payable	(24,609)	15,839
Due to the Association	313,853	821
Deposits	(665)	(6,067)
Unearned revenue	16,462	(55,664)
Net Cash Provided By Operating Activities	\$ 479,805	\$ 173,510

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF FIDUCIARY NET POSITION (With Comparative Totals For The Year Ended December 31, 2019) December 31, 2020

	Heather Gardens Foundation Custodial Fund	
	2020	2019
Assets		
Cash and cash equivalents restricted	\$ 41,751	\$ 41,201
Certificates of deposit restricted	150,000	150,000
Total Assets	191,751	191,201
Liabilities		
Due to the District	3,973	—
Total Liabilities	3,973	—
Net Position		
Restricted	187,778	191,201
Total Net Position	\$ 187,778	\$ 191,201

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (With Comparative Totals For The Year Ended December 31, 2019) For The Year Ended December 31, 2020

	Heather Gardens Foundation Custodial Fund	
	2020	2019
Additions		
Donations	\$ 4,260	\$ 12,113
Investment income on certificates of deposit	3,546	3,728
Total Additions	7,806	15,841
Deductions		
Other expenses	11,229	12,969
Change In Net Position	(3,423)	2,872
Net Position - Beginning Of Year	191,201	188,329
Net Position - End Of Year	\$ 187,778	\$ 191,201

HEATHER GARDENS METROPOLITAN DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020

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 relate to 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 governmental units.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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

Measurement Focus And Basis Of Accounting

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

Additionally, the District reports the following fiduciary fund:

Custodial Fund

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

Operating Revenues And Expenses

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

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 Certificates Of Deposit

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

Capital Assets

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

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

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

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Property Taxes

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

Net Position

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

Comparative Data

The financial statements include certain prior-year comparative information in total, but not at the level of detail required for presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the 2019 District financial statements.

Deferred Outflows Of Resources

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

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Deferred Inflows Of Resources

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

Subsequent Events

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

3. Cash, Cash Equivalents And Certificates Of Deposits

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, 2020, the District's cash deposits at financial institutions had a book balance of \$2,220,625 and a corresponding bank balance of \$2,209,423. Of the bank balance, \$1,401,089 was covered by federal depository insurance with multiple banks. The remainder of the bank balance, \$808,334, 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, 2020, the District's cash deposits and certificates of deposit had the following book and bank balances:

	<u>Book</u>	<u>Bank</u>
Deposits with financial institutions - unrestricted	\$ 883,332	\$ 871,341
Deposits with financial institutions - restricted	436,993	436,993
Certificates of deposit	900,000	901,089
Cash on hand	300	—
	<u>\$ 2,220,625</u>	<u>\$ 2,209,423</u>

At December 31, 2020, 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	\$ 883,632	\$ —	\$ 883,632
Cash and cash equivalents restricted	395,242	41,751	436,993
	<u>\$ 1,278,874</u>	<u>\$ 41,751</u>	<u>\$ 1,320,625</u>

Credit Risk

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

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

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

Interest Rate Risk

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

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

Restricted Cash And Certificates Of Deposits

In accordance with Colorado Revised Statutes, the District maintains a separate bank account for the Custodial funds. At December 31, 2020, the balances of these funds were \$41,751. The District also held \$150,000 in certificates of deposits as of December 31, 2020.

The District restricted cash to meet the bond reserve requirements for servicing the bonds in the amount of \$250,718 at December 31, 2020.

In accordance with Colorado Revised Statutes, the District maintains a separate bank account for the Conservation Trust Fund entitlement. At December 31, 2020, the balance of these funds were \$144,524.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

4. Capital Assets

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

	Balance - January 1, 2020	Additions/ Transfers	Deletions/ Transfers	Balance - December 31, 2020
Capital Assets				
Nondepreciable Capital Assets				
Land	\$ 1,725,000	\$ —	\$ —	\$ 1,725,000
Construction in progress	—	18,515	—	18,515
Intangible asset (City of Aurora water rights)	133,190	—	—	133,190
Total Nondepreciable Capital Assets	1,858,190	18,515	—	1,876,705
Depreciable Capital Assets				
Property and equipment	13,307,537	—	(29)	13,307,508
Furniture and equipment	1,184,568	76,457	(51,624)	1,209,401
Restaurant equipment	137,948	—	—	137,948
Restaurant and pro shop renovation	1,346,537	—	—	1,346,537
Capital lease equipment	77,376	—	—	77,376
Total Depreciable Capital Assets	16,053,966	76,457	(51,653)	16,078,770
Total Capital Assets	17,912,156	94,972	(51,653)	17,955,475
Accumulated Depreciation	(6,271,023)	(586,883)	10,808	(6,847,098)
Net Depreciable Capital Assets	9,782,943	(510,426)	(40,845)	9,231,672
Total Capital Assets, Net Of Depreciation	\$ 11,641,133	\$ (491,911)	\$ (40,845)	\$ 11,108,377

5. Long-Term Obligations

The following is an analysis of changes in long-term obligations for the year ended December 31, 2020:

	Balance - January 1, 2020	Additions	Reductions	Balance - December 31, 2020	Due Within One Year
2010 - \$9,800,000					
General Obligation Bonds	\$ 235,000	\$ —	\$ (235,000)	\$ —	\$ —
2017 - \$8,025,000					
Refunding Bonds	7,980,000	—	(25,000)	7,955,000	270,000
Premium on Series 2017 Refunding Bonds	701,260	—	(33,526)	667,734	33,526
Total Long-Term Obligations	\$ 8,916,260	\$ —	\$ (293,526)	\$ 8,622,734	\$ 303,526

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

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 proceeds of the 2017 General Obligation Refunding Bonds related to the refunded debt were deposited with an escrow agent and invested in government securities, maturing at such times and in such amounts as required to provide funds sufficient to pay the principal and interest on the refunded bonds as they become due. As a result, \$7,895,000 of the 2010 General Obligation Bonds are considered to be defeased as of December 31, 2017, and the related liability for the bonds has been removed from the District's liabilities. 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.

The remaining \$460,000 General Obligation Bonds Series 2010, dated July 22, 2010, is due annually in increasing amounts through 2020, with remaining interest due semiannually at rates of 3.50% to 4.10%. The bonds and interest are secured by the District's covenant to levy an ad valorem tax on all of the taxable property in the District. This balance was paid in full as of December 31, 2020.

Bond and coupon payments to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 270,000	\$ 318,200	\$ 588,200
2022	280,000	307,400	587,400
2023	290,000	296,200	586,200
2024	300,000	284,600	584,600
2025	315,000	272,600	587,600
2026 - 2030	1,760,000	1,164,600	2,924,600
2031 - 2035	2,140,000	783,400	2,923,400
2036 - 2040	2,600,000	320,000	2,920,000
	<u>\$ 7,955,000</u>	<u>\$ 3,747,000</u>	<u>\$ 11,702,000</u>

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

6. Net Position

District Net Position

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

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, 2020, the District had net position invested in capital assets, which is calculated as follows:

Capital assets - net of accumulated depreciation	\$ 11,108,377
Capital related borrowings	(8,622,734)
Deferred loss on 2010 bond refunding	<u>647,074</u>
	<u>\$ 3,132,717</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, 2020:

Restricted	
TABOR emergency reserves	\$ 17,658
Conservation Trust Fund	144,524
Debt service	<u>250,718</u>
Total	<u>\$ 412,900</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.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

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.

The Foundation had the following restricted net position as of December 31, 2020:

Restricted Foundation	<u>\$ 187,778</u>
Total	<u><u>\$ 187,778</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, 2020. 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, the homeowners association for the members who own units within the District's boundaries.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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 collections of clubhouse fees, facilities revenue (golf course) and restaurant income to the District monthly, net of reimbursement of expenses and costs incurred for the operation and maintenance of District assets.

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, 2020, there was \$314,674 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.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements *(Continued)*

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.

10. Risks And Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world has caused significant volatility in the U.S. and international markets. The District has taken a number of measures to monitor and mitigate the effects of COVID-19. There continues to be uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. The District's restaurant and clubhouse activities were significantly affected by COVID-19, as revenue from these activities decreased by approximately \$700,000 in 2020, compared to 2019. Disruptions have carried over into early 2021, however, business volume has increased and should continue in the second half of 2021 as state and local governments have reduced or eliminated restrictions.

Other Supplementary Information

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

HEATHER GARDENS METROPOLITAN DISTRICT

PROPRIETARY FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) For The Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Recreation use fees	\$ 1,382,559	\$ 1,382,809	\$ 250
Restaurant income	690,295	271,390	(418,905)
Golf course fees	406,647	364,875	(41,772)
Clubhouse fees	230,177	33,590	(196,587)
Recreational vehicle lot rentals	44,400	35,231	(9,169)
Other operating revenues	24,900	26,823	1,923
Property taxes	548,849	548,743	(106)
Specific ownership taxes	39,996	39,858	(138)
Income on certificates of deposit	24,168	11,441	(12,727)
Conservation Trust Fund entitlement	18,400	17,406	(994)
Total Revenues	3,410,391	2,732,166	(678,225)
Expenditures			
Operating:			
Clubhouse, golf course, recreational vehicle lot	1,432,333	1,273,380	158,953
Restaurant expenses	809,990	457,395	352,595
Professional services	60,500	81,680	(21,180)
Bad debt expense	2,250	—	2,250
Insurance	56,635	49,386	7,249
Other operating expenses	61,745	53,845	7,900
Debt service:			
County Treasurer's collection fees	7,942	8,245	(303)
Principal	260,000	260,000	—
Interest	328,153	322,580	5,573
Bank payee fee	1,400	1,400	—
Capital outlay	370,877	94,972	275,905
Total Expenditures	\$ 3,391,825	2,602,883	\$ 788,942
Excess Of Revenues Over Expenditures		129,283	
Adjustments to GAAP basis			
Depreciation		(586,883)	
Bond principal payments		260,000	
Amortization of bond premium, net		33,526	
Amortization of deferred loss on bond refunding and discount		(32,489)	
Capital outlay		94,972	
Loss on sale of asset		(40,344)	
Changes In Net Position Per Statement Of Revenues, Expenses And Changes In Net Position - GAAP Basis		\$ (141,935)	

HEATHER GARDENS METROPOLITAN DISTRICT

NOTE TO BUDGETARY COMPARISON SCHEDULE

Budgets And Budgetary Accounting

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

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