

**HERITAGE HILLS METROPOLITAN DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**HERITAGE HILLS METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2023**

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Board of Directors
Heritage Hills Metropolitan District
Douglas County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Heritage Hills Metropolitan District (the "District"), as of and for the year ended December 31, 2023, 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 respective financial position of the governmental activities and the general fund of Heritage Hills Metropolitan District as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's 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 (GAAP), 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.



Wipfli LLP
Denver, Colorado

September 8, 2024

BASIC FINANCIAL STATEMENTS

**HERITAGE HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 5,200,834
Cash and Investments - Restricted	80,200
Prepaid Insurance	22,799
Receivable from County Treasurer	13,187
Property Tax Receivable	2,311,331
Capital Assets:	
Capital Assets, Not Being Depreciated	3,067,000
Capital Assets, Net of Depreciation	<u>5,918,768</u>
Total Assets	<u>16,614,119</u>
LIABILITIES	
Accounts Payable	298,557
Retainage Payable	<u>27,115</u>
Total Liabilities	<u>325,672</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	<u>2,311,331</u>
Total Deferred Inflows of Resources	<u>2,311,331</u>
NET POSITION	
Net Investment in Capital Assets	8,985,768
Restricted for:	
Emergency Reserve	80,200
Unrestricted	<u>4,911,148</u>
Total Net Position	<u><u>\$ 13,977,116</u></u>

See accompanying Notes to Basic Financial Statements.

**HERITAGE HILLS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 2,084,013	\$ -	\$ -	\$ -	\$ (2,084,013)
Total Governmental Activities	<u>\$ 2,084,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(2,084,013)
 GENERAL REVENUES					
Property Taxes					2,160,406
Specific Ownership Taxes					200,316
Interest Income					292,489
Insurance Proceeds					12,143
Other Revenue					9,350
Total General Revenues					<u>2,674,704</u>
 CHANGES IN NET POSITION					
Net Position - Beginning of Year					<u>13,386,425</u>
 NET POSITION - END OF YEAR					
					<u>\$ 13,977,116</u>

See accompanying Notes to Basic Financial Statements.

**HERITAGE HILLS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	General	Total Governmental Funds
ASSETS		
Cash and Investments	\$ 5,200,834	\$ 5,200,834
Cash and Investments - Restricted	80,200	80,200
Receivable from County Treasurer	13,187	13,187
Prepaid Insurance	22,799	22,799
Property Tax Receivable	2,311,331	2,311,331
Total Assets	\$ 7,628,351	\$ 7,628,351
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 298,557	\$ 298,557
Retainage Payable	27,115	27,115
Total Liabilities	325,672	325,672
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	2,311,331	2,311,331
Total Deferred Inflows of Resources	2,311,331	2,311,331
FUND BALANCES		
Nonspendable:		
Prepaid Expense	22,799	22,799
Restricted for:		
Emergency Reserves	80,200	80,200
Debt Service	-	-
Capital Projects	-	-
Committed:		
Operations	-	-
Capital Projects	-	-
Assigned to:		
Subsequent Year's Expenditures	-	-
Operations Reserve	250,000	250,000
Catastrophe Reserve	250,000	250,000
Capital Reserve	4,336,159	4,336,159
Unassigned	52,190	52,190
Total Fund Balances	4,991,348	4,991,348
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,628,351	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Net Position of Governmental Activities

8,985,768

\$ 13,977,116

See accompanying Notes to Basic Financial Statements.

**HERITAGE HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	General	Total Governmental Funds
REVENUES		
Property taxes	\$ 2,160,406	\$ 2,160,406
Specific ownership taxes	200,316	200,316
Insurance proceeds	12,143	12,143
Interest income	292,489	292,489
Other revenue	9,350	9,350
Total Revenues	2,674,704	2,674,704
EXPENDITURES		
Current:		
Accounting	64,159	64,159
Auditing	4,500	4,500
County Treasurer's fee	32,431	32,431
Directors' fees	9,600	9,600
District management	170,770	170,770
Election	11,928	11,928
Engineering	91,198	91,198
Fence and sign maintenance	17,690	17,690
Gated entrance	110,783	110,783
Insurance	26,470	26,470
Landscaping	649,470	649,470
Legal	119,000	119,000
Miscellaneous	10,295	10,295
Recreational expense	213,700	213,700
Seasonal lights	59,535	59,535
Snow removal	126,529	126,529
Street lighting	22,839	22,839
Street maintenance	713,775	713,775
Utilities	94,940	94,940
Total Expenditures	2,549,612	2,549,612
NET CHANGE IN FUND BALANCES	125,092	125,092
Fund Balances - Beginning of Year	4,866,256	4,866,256
FUND BALANCES - END OF YEAR	\$ 4,991,348	\$ 4,991,348

See accompanying Notes to Basic Financial Statements.

**HERITAGE HILLS METROPOLITAN DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$	125,092
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay		800,906
Depreciation Expense		<u>(335,307)</u>

Changes in Net Position of Governmental Activities	\$	<u><u>590,691</u></u>
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**HERITAGE HILLS METROPOLITAN DISTRICT
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 2,160,109	\$ 2,160,406	\$ 297
Specific ownership taxes	194,410	200,316	5,906
Interest income	158,000	292,489	134,489
Other revenue	16,000	9,350	(6,650)
Insurance proceeds	-	12,143	12,143
Total Revenues	<u>2,528,519</u>	<u>2,674,704</u>	<u>146,185</u>
EXPENDITURES			
Accounting	59,500	64,159	(4,659)
Auditing	4,500	4,500	-
Contingency	51,648	-	51,648
County Treasurer's fee	32,402	32,431	(29)
Directors' fees	10,000	9,600	400
District management	126,500	170,770	(44,270)
Election	40,000	11,928	28,072
Engineering	161,000	91,198	69,802
Fence and sign maintenance	35,000	17,690	17,310
Gated entrance	125,000	110,783	14,217
Insurance	26,500	26,470	30
Landscaping	793,950	649,470	144,480
Legal	66,000	119,000	(53,000)
Miscellaneous	10,000	10,295	(295)
Public relations	10,000	-	10,000
Recreational expense	435,000	213,700	221,300
Seasonal lights	57,500	59,535	(2,035)
Snow removal	160,000	126,529	33,471
Street lighting	40,000	22,839	17,161
Street maintenance	827,500	713,775	113,725
Utilities	130,000	94,940	35,060
Total Expenditures	<u>3,202,000</u>	<u>2,549,612</u>	<u>652,388</u>
NET CHANGE IN FUND BALANCE	(673,481)	125,092	798,573
Fund Balance - Beginning of Year	<u>4,374,992</u>	<u>4,866,256</u>	<u>491,264</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,701,511</u>	<u>\$ 4,991,348</u>	<u>\$ 1,289,837</u>

See accompanying Notes to Basic Financial Statements.

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY

Heritage Hills Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court in Douglas County on July 12, 1996, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Douglas County, Colorado. The District was established for the purpose of providing facilities including public street improvements, storm sewer facilities, and park and recreation facilities, in addition to operating and maintaining such facilities, or transferring them to other political subdivisions for operations and maintenance. Furthermore, the District was formed for the purpose of operating and maintaining streets owned by the Heritage Hills Homeowners Association, Inc., as well as District-owned recreational facilities.

In August 2001, platted areas of property within the District were annexed into the City of Lone Tree (the City). Under the annexation agreement, the City will provide trash collection and police protection services for residents within the District. The City does not assess a property tax. In December 2001, a four-acre parcel intended for residential use was excluded from the District. A one-time "financial impact" payment and related exclusion fees were paid by the property owner based on the projected revenue loss over a 40-year period as a result of the exclusion.

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 financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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. The budget includes each fund on its basis of accounting, unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize interest earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

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 normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include plant, equipment, and infrastructure assets (e.g., storm drainage, park and recreational facilities, and similar items), are reported in the applicable governmental activities' column in the government-wide financial statements. 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 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 capital assets, as applicable.

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Buildings and Building Improvements	30 to 50 Years
Parks and Recreation	5 to 50 Years
Storm Drainage	40 Years
Street Improvements	15 Years

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 5,200,834
Cash and Investments - Restricted	80,200
Total Cash and Investments	\$ 5,281,034

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 127,838
Investments	5,153,196
Total Cash and Investments	\$ 5,281,034

Deposits with Financial Institutions

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 determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

At December 31, 2023, the District's cash deposits had a bank balance and a carrying balance of \$127,838.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, 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 or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 5,153,196</u>

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAs/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,067,000	\$ -	\$ -	\$ 3,067,000
Total Capital Assets, Not Being Depreciated	<u>3,067,000</u>	<u>-</u>	<u>-</u>	<u>3,067,000</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	842,244	-	-	842,244
Parks & Recreation	5,787,813	256,093	-	6,043,906
Gate Equipment	-	36,461	-	36,461
Street Improvements	842,365	508,352	-	1,350,717
Storm Drainage	1,510,116	-	-	1,510,116
Total Capital Assets, Being Depreciated	<u>8,982,538</u>	<u>800,906</u>	<u>-</u>	<u>9,783,444</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	544,168	25,834	-	570,002
Parks and Recreation	2,125,706	207,542	-	2,333,248
Gate Equipment	-	1,376	-	1,376
Street Improvements	48,029	62,802	-	110,831
Storm Drainage	811,466	37,753	-	849,219
Total Accumulated Depreciation	<u>3,529,369</u>	<u>335,307</u>	<u>-</u>	<u>3,864,676</u>
Total Capital Assets, Being Depreciated, Net	<u>5,453,169</u>	<u>465,599</u>	<u>-</u>	<u>5,918,768</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,520,169</u>	<u>\$ 465,599</u>	<u>\$ -</u>	<u>\$ 8,985,768</u>

Depreciation expense of \$335,307 for the year ended December 31, 2023, was charged to general government activities.

NOTE 5 NET POSITION

The District has 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 balance of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	Governmental
Capital Assets, Net	<u>Activities</u>
Net Investment in Capital Assets	<u>\$ 8,985,768</u>
	<u>\$ 8,985,768</u>

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 NET POSITION (CONTINUED)

Restricted net position consists of assets that are 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 a restricted net position as of December 31, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 80,200
Total Restricted Net Position	\$ 80,200

The District's unrestricted net position as of December 31, 2023, totaled \$4,911,148.

NOTE 6 AGREEMENTS AND COMMITMENTS

On December 23, 1996, the District entered into a Maintenance Agreement with the Heritage Hills Homeowners Association (the Association), as amended by the First Amendment to Maintenance Agreement, dated May 14, 2007, to provide maintenance of streets within the District, all of which are owned by the Association (collectively, the Original Maintenance Agreement). The Original Maintenance Agreement was terminated, effective February 7, 2018. On March 14, 2018, the District entered into the Easement Agreement (Street Maintenance & Landscaping), dated July 11, 2018, and the Second Amended and Restated Easement Agreement, dated August 1, 2022, with the Association for the ongoing maintenance of the aforementioned streets as well as landscape repairs and improvements. The following street maintenance costs were incurred for the year ended December 31, 2023:

Snow Removal	\$ 126,529
Street Maintenance	713,775
Total	\$ 840,304

NOTE 7 RISK MANAGEMENT

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

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

**HERITAGE HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. 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.

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

In May 1996, the District voters passed an election question to increase property taxes \$454,330 annually, without limitation of rate, to pay the District's operations maintenance and other expenses.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**HERITAGE HILLS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2018/2019	\$ 46,957,960	1.7%	40.000	0.000	40.000	\$ 1,878,318	\$ 1,876,831	99.92 %
2019/2020	50,084,000	6.7%	40.000	0.000	40.000	2,003,360	2,002,029	99.93 %
2020/2021	50,307,150	0.4%	40.000	0.000	40.000	2,012,286	2,012,109	99.99 %
2021/2022	53,904,300	7.2%	40.000	0.000	40.000	2,156,172	2,156,178	100.00 %
2022/2023	52,510,100	-2.6%	41.137	0.000	41.137	2,160,109	2,160,406	100.01 %
Estimated for Year Ending December 31, 2024	\$ 69,835,070	33.0%	33.097	0.000	33.097	2,311,331		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: Douglas County Assessor and Treasurer.