



**NOTICE OF HGMD BOARD OF DIRECTORS REGULAR MEETING
April 21, 2022, 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 Gardens Clubhouse via Zoom videoconference at **1:00 PM on April 21, 2022**. 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/89262819508?pwd=Z203L2o2SmM2OXNnYXREcVZuZHJiUT09>

Meeting ID: 892 6281 9508

Password: 265866

or

Dial-In Number: +1 346 248 7799 US

AGENDA

1. Determine quorum present
2. Call meeting to order
3. Approval of/additions to/deletions from agenda
4. Approval of Minutes
 - a. Consider Approval of Minutes of March 17, 2022, Regular Meeting
5. Reports of Directors, committees, and professional consultants
 - a. President's Report (Funk)
 - b. CEO (Rea) – April 19, 2022, Reports
 - c. Clubhouse/Restaurant Committee (Mines) – April 12, 2022, Report
 - d. Foundation Committee (Laubach) – April 13, 2022, Report
 - e. Golf Committee (George) – April 12, 2022, Report
 - f. Property Policy Committee (Funk) – No Meeting
 - g. Joint Long Range Planning Committee (Funk) – April 20, 2022, Update
 - h. Treasurer's Report (Archambault) – April 2022
 - i. Joint Budget and Finance Committee (Archambault) – April 18, 2022, Report
6. Unfinished Business
7. New Business
 - a. Consider Acceptance and Approval of the 2021 HGMD Audit
 - b. Consider Approval for the Request to Increase the CEO's Discretionary Spending Authority
8. Open Forum – Public comment (time limit-3 minutes per person)
9. 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 Board meeting will be held Thursday, May 19, 2022, at 1:00 PM.

**HEATHER GARDENS METROPOLITAN DISTRICT
REGULAR MEETING
Thursday, March 17, 2022**

The regular 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 17, 2022, at 1:00 P.M.

CALL TO ORDER: President Funk called the meeting to order at approximately 1:00 P.M. on Thursday, March 17, 2022. A quorum was present.

BOARD MEMBERS PRESENT: President David Funk, Vice President Michael George, and Directors Eloise Laubach and Maria Mines.

BOARD MEMBERS ABSENT: Secretary/Treasurer William Archambault (Excused)

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

GUESTS PRESENT: Jennifer L. Ivey, Icenogle Seaver Pogue, P.C., 4 members of the Heather Gardens Association Board, Lynn Donaldson with Heather 'n Yon, and approximately 28 members of the public were present.

CHANGES TO AGENDA: Item letter "a" under Unfinished Business was removed.

APPROVAL OF MINUTES: Motion made by Vice President George and seconded by Director Mines and passed unanimously to approve the minutes of February 17, 2022, Regular Meeting as written.

REPORTS OF DIRECTORS, COMMITTEES, AND PROFESSIONAL CONSULTANTS:

President's Report: No report.

Chief Executive Officer (CEO) Report: The Board received a copy of the CEO's Statement of Work Report. CEO Rea provided an update that the Restaurant had started brunch early this month and has had a great turnout. CEO Rea gave a special thank you to Tom Merges for volunteering during brunch and stated his appreciation for him supporting the Restaurant. The Golf Course had a better month in March than in February. The Clubhouse facilitated a volunteer orientation to help promote volunteerism throughout the Clubhouse, Restaurant, and Golf Course. There were no questions or comments.

Clubhouse/Restaurant Committee: The Board received a copy of the Clubhouse/Restaurant Report. Director Mines commented that the Committee held a

productive workshop in February with managers from the Clubhouse and Restaurant on ways to help support the managers. There were no questions or comments.

Foundation Committee: The Board received a copy of the Foundation Report. Director Laubach commented that there are two motions for funding projects and a fundraiser under New Business. There were no questions or comments.

Golf Committee: The Board received a copy of the Golf Report. There were no questions or comments.

Property Policy Committee: No meeting.

Joint Long Range Planning Committee: The Board received a copy of the Joint Long Range Planning Report. President Funk reported the committee met on March 16 and is beginning its efforts to prepare a strategic plan that will be developed with both Boards, Management, and Staff. There will be a work session in the next two weeks to pull the information together and prioritize many of the available projects and concepts that will be going into the planning for the future of Heather Gardens. One of the important things that will be part of the work product is a report from the Joint Long Range Planning Committee with its recommendations on priorities for next year and how those priorities affect decisions that may occur in the following years. It is anticipated that the final work product will be completed in early July to conform to the budget preparations schedule that will be initiated about that time. The work session is scheduled via Zoom on Wednesday, March 30 at 1:00 p.m. and is open for the public to observe.

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. There were no questions or comments.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

- a) **Motion to Approve funding for Rendezvous Restaurant patio umbrellas, planters, and herbs (\$1,500):** Motion made by Director Laubach and seconded by Vice President George and passed unanimously.

Text of Motion: Based on the recommendation of the Foundation Committee, I move that the Heather Gardens Metropolitan District Board of Directors approve the expenditure from the Foundation General Fund in an amount not to exceed \$1,500 for four umbrellas, three planters, and a selection of herbs.

- b) **Motion to Approve funding for 75" TV for the Clubhouse (\$650):** Motion made by Director Laubach and seconded by Vice President George and passed

unanimously.

Text of Motion: Based on the recommendation of the Foundation Committee, I move that the Heather Gardens Metropolitan District Board of Directors approve the expenditure from the Foundation General Fund in an amount not to exceed \$650 for a 75" TV for the Clubhouse.

- c) **Motion to Approve the Fundraiser:** Motion made by Director Laubach and seconded by Director Mines and passed unanimously.

Text of Motion: Based on the recommendation of the Foundation Committee, I move that Heather Gardens Metropolitan District Board of Directors approve the fundraiser.

Explanatory Comments: The fundraiser is for Musical group Retro to hold a concert on April 16, 6:00-8:00 pm in the Sandberg Auditorium. The fundraiser will help bring in donations for the Foundation.

- d) **Motion to Approve the use of Lottery Funds for the golf practice cage improvement project (\$5,713.51):** Motion made by Vice President George and seconded by Director Mines and passed unanimously.

Text of Motion: Based on the recommendation of the Golf Committee, I move that the Heather Gardens Metropolitan District Board of Directors approve using Lottery Funds for the improvements of the golf practice cage not to exceed \$5,713.51.

- e) **Motion to Approve moving the 2021 budget for the Maintenance Facility Parking Lot Asphalt Project to 2022:** Motion made by President Funk and seconded by Director Mines and passed unanimously.

Text of Motion: Based on the recommendation of the Budget and Finance Committee, I move that the Heather Gardens Metropolitan District Board of Directors approve moving the 2021 budget for the Maintenance Facility Parking Lot Asphalt Project to 2022.

OPEN FORUM:

A resident asked how equipment for pickleball nets, and a shovel can be requested. President Funk commented that the request for pickleball nets can follow the same process as the golf practice cage improvement by using Lottery Funds which are dedicated especially to recreation. The request for a shovel should go through the

Management process. CEO Rea commented there is a non-capital equipment line item historically that has been used for various things throughout the Clubhouse for activities. CEO Rea and Clubhouse Manager Anthony have discussed purchasing a snowblower for under \$100 for situations like this and to partner with the pickleball folks to use it when roads and grounds cannot make it to the area.

A resident commented that workshops are supposed to be open to the public for observation, not participation, and made available on Zoom. President Funk commented that the upcoming work session for the Joint Long Planning Committee Zoom information had been posted last week after the regular meeting on the Heather Gardens website and is available to the public for observation.

A resident asked for an update on the HGMD candidates for the May Board Election. Ms. Ivey provided an update that the Election was canceled because there were three seats open on the board for election and only two candidates were running. Eloise Laubach resubmitted for a three-year term, Maria Mines for a one-year term, and Mike George has decided not to run which will result in a vacant three-year term as of the May Election.

Several residents' comments on the removal of the Bylaws amendment from the agenda.

A resident thanked the Board for not amending the Bylaws as she and several other people had concerns about how the changes were written and would like to know the plan for the document going forward. President Funk commented as it was removed from the agenda today, he did not have an answer to the question. He did however comment that he did receive information from the resident and others on their concerns. He plans to communicate the educational process to the community to understand how committees and boards work. One of the goals is to identify a balanced approach for the overall community. There may be better ways to do things and one of the biggest things that we have to respect is that change is an important feature for living organizations. President Funk recognized organizations and people have a resistance to change especially when it affects them personally. One of the goals overall is to make sure everyone approaches these changes without condemnation and looks at how we can work together. President Funk encouraged positive and constructive collaboration as this process moves forward.

A resident commented she did not hear or see any public discussion about the combining of committees. President Funk stated that the concept was brought up and considered and the initial document was created to talk about the changes and posted on the Heather Gardens website for over a month for input and confirmed he received positive and negative inputs.

ADJOURNMENT: Upon motion by Director Laubach and seconded by Director Mines and passed unanimously the meeting adjourned at 1:49 P.M.

David Funk, President

DRAFT

End of Month Report - March 2022

*******NOTE: Based on Feedback, Long Range Projects, Implementations & Prospective Projects & Ideas Section has been removed to Consolidate - these projects did not move with frequency month to month*******

HGMD

Clubhouse

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Spring Craft Fair	Be Prepared	95	X		4/9/22
Increase Volunteer Participation / Orientation	participation/ clear expectations	95	X		3/8/22
Functional Equipment	Ensure all equipment can be used	90	X		4/8/22
Event Planning Procedure	accurate and complete info	90	X		4/1/22
Line up Sponsors for the year	Use available resources	80	X		4/3/22
Coffee Inventory	What are our realistic needs	70	X		4/6/22
Update Club Setups	upload all setups into Activnet	60	X		4/15/22
Empower Staff	ability serve more	40	X		3/25/22

Golf

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Attend Ladies New Golfers Meeting	Customer service	100	X		3/31/22
Host Regis High School Event	Customer service	100	X		3/31/22
Meeting with Veronica on Social media	Yearly Planning	100	X		3/31/22
Perform spring cleaning on carts	Yearly Planning	100	X		3/31/22
Add ball washers to golf course	Yearly Planning	100	X		3/31/22
Order Products for 2022	Yearly Planning	75	X		4/15/22
Order Products for hitting net	Maintanance	50	X		4/15/22

Restaurant

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Working on a schedule for special dinners and events for 2022		100	X		3/31/22
Working on Online and loyalty program	ongoing server training	80	X		3/31/22
Marketing and social media with golf		75	X		4/30/21
Special dinners	Easter dinner	75	X		3/31/22
Train cooks on serve safe food handling		50	X		5/31/22
Create new menus for banquets and cost out for pricing		50	X		4/30/22
Server training and volunteer training		50	X		4/30/22
Pricing for special events		33	X		4/30/22

CEO/General

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Year at a Glance - HnY For all Depts	Gantt/Project Chart/Goals & Info to Community/Web	100		X	2/28/22
Professional Development	Certification/Training (Moved/PPD)	100	X		4/8/22
Benchmarking Review	Review Misc. Postions Based on Local/Nation Avg.	100	X		4/30/22
Comcast Addendum	Waiting on Feedback from Comcast (sent info to comcast/waiting on their Review)	99		X	3/31/22
Review Org/Structure/Backfill Mgr. Position & Misc.	Based on Recent Staff Changes/Open Positions	99		X	3/31/22
CP4 Supplement/Closeout	Close Out Final Project (Waiting on Vendor & Counsel)	75	X		3/31/22
Starry Phase 3 Addendum	Assemble Addendum w/ Feedback	75		X	3/31/22
L/I Misc. Contract Renewal	2 years remaining/Vet Vendors (PPD)	60		X	3/31/2022 - ASAP
2022 Census	Issue/Gather Data/Communicate Updates	50	X		5/1/22
Uniform/Identification Project/Program	Review Current/Establish New (PPD)	50	X		TBD
Hire Operations Manager/Staff Review	Source/Vet/Hire Process (PPD for Review - Org Review)	20	X		3/31/22

CFO/Accounting

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Monthly Delinquent Notice	Process delinquent notices monthly	100		X	3/15/22
Hire Accounting Asst. position		100		X	3/7/22
2021 Audit	Complete 2021 audit by March/April 2022	90	X		4/18/22
AR/Billing/Prop Mgt in Jenark	General cleanup	90	X		4/15/22
Review each direct report processes	Sit down and review with each team member	80	X		4/30/22
Update Capital Reserve report	Review formulas and review hard coding	20	X		4/30/22

CHRO/Human Resources

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
PEO Admin Review/2 in process	Renewal/Vet/Research Etc.	75	X		4/30/22
work on uniform change/color	more transparency easy to spot (PPD)	75	X		TBD
Update all Forms new titles etc.		75		X	3/1/22
Hire new Custodial Manager	Source/Vet/Hire Process	50	X		ASAP
Customer Service Training Course	Improve & Enhance CS	50		X	3/1/22
Misc. Dept Hiring - R&G, Maint & Custodial	Source/Vet/Hire Process	50	X		ongoing
Employee/Insurance/Docs Update	Create with COO Spanish Versions of important Docs	50	X		ongoing
Specific Dept. Benchmarking	Ensure Meeting Market Salaries/retain employees	50	X		4/1/22
Employee/Insurance/Docs Update	Create with COO Spanish Versions of important Docs	50	X		ongoing
Plan the Employee Monthly Engagement	Boost Morale	50	X		ongoing
Create New Dept Job Descriptions	Consistency within the departments	50	X		4/1/22
Employee recognition/reward program	Enhance Morale & Recognize (PPD)	25	X		PPD

Communications/Business Office Manager

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Hire Work Order Coordinator	Hire Process	100	X		3/31/22
Communication Calendar/Cadence	Create schedule of comms	100	X		3/31/22
Brochure/Property Brochure	Update old brochure with new information.	90	X		TBD
Social Media Accounts	Create a business account for Facebook / Instagram	0	X		4/30/22
HG Association Tip of the Week/Month Cadence	Create schedule of comms	0	X		4/30/22
Google	Work w/ Google to update profile and maintain reviews	0	X		4/30/22
Clean up Website	Archive old information/add updated information/ make corrections	0	X		5/13/22
S/ Drive Clean-Up	Retention & File Removal/Clean	0	X		TBD
Intranet/SharePoint Development	Internal Comms Development	0	X		TBD
Communications SOP/PM Development	Work with PRC External & Team for Internal Process	0	X		TBD

Contracts

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
HG Vendor/ Contractor - Contact List	List all vendors - for ease of access	99	X		ASAP
PSAC - Parking Structure Engineered Conditions Report	To have a professional engineer conduct and conditions test and generate a report describing the current state of the parking structures.	90	X		5/1/22
RV Parking Lot	Resurfacing and re-designing the layout of the RV Parking lot to better serve the users	75	X	X	5/1/22
2022 FPE Replacement Project for CP 4, 5, and 6	Update existing FPE electrical panels to meet current NEC and City of Aurora Code	75	X		7/1/22
2022 Project Planning	Plan for the upcoming projects based on the approved budget.	65	X		
2022 Clubhouse Paint Project	Paint Clubhouse Exterior - to maintain an attractive appearance	5			7/1/22
2022 - Carpet Replacement Project	Replace Building Corridor Carpet on 10 different floors throughout the community.	5	X		6/1/22
2022 - Elevator Jack Replacement Project; B243, 244 and 250	Replace Elevator Jacks to meet City and State Code Regulations.	5	X		10/1/22
Seville - Sealcoat/ Drainage; B231-236	Add Drain Pans the the existing asphalt driveways to help positive water flow and drainage.	5	X		9/1/22
2022 Roof Replacement	Replace an HG 6-story building roof. To maintain the building being water tight	1	X		10/1/22
Parking Structure - Security Enhancement Project	To help relieve community safety concerns	PPD			PPD for Starry Solution
CP 4 Road Sealcoat	Asphalt Sealcoat/ Parking Stripe the area to give a finished look	1	X		6/1/22

Custodial

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Maintenance Shop	Wax maintenance shop floor and deep clean bathroom floors.	100	X		3/31/22
Hiring 1 FT or 2 PT for buildings	Need 1 PT Staff Member at this time	99	X		3/31/22
Hire Custodial Manager	Hire Process	50	X		ASAP
Training	Training new floor tech & lead to our projects, getting to input his ideas to better/facilitate projects.	30	X		PPD
Plan for side stairs washing	To complete project on a timely matter.	20	X		ASAP

Maintenance

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
S.O.Ps maint/ put in the s-drive	refrences to maint	100	X		4/1/22
safety vehicle inspections books	safety	90	X		5/1/22
April reviews	reviews	75	X		4/30/22
Chair Rail Project	233 & 243	50	X		8/1/22
training 2022 / service techs	training of different process	25	X		12/31/22
Dry Vent cleaning 2022	224 231 232 233 234 235	25	X		6/1/22
asbestos training	training	10	X		5/15/22
May reviews	reviews	0	X		5/31/22

Maintenance Facilities Engineer

*****NOTE: The Following Format for Maintenance Facilities Engineer will be utilized for departments with many projects running parallel in order to prioritize & complete*****

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
TOP 3 - 5 PROJECTS					
Starry equipment electric	Upgrade wiring and outlets at all 35 multi-story Buildings	50	X		3/31/22
212 Fire Main Repair and Resolution		50	X		ASAP
Boiler Replacemnt (Emergency)	Replace Boiler 216	50	X		ASAP
Buildings 242 and 244 fire alarms	Repair bell deficiencies	25	X		3/31/22
2022 Cap Res requests	Water recirculation 217 & 220	20	X		4/15/22
2022 Cap Res requests	Building 243 boiler re-tubing	10	X		7/15/22
MID-LEVEL PROJECTS					
Inspect CP pillars to obtain a list and count of pillars that need to be either removed or straightened.	For budgetary purposes.	40	X		3/31/22
Club women's handicapped shower stall	Install new shower bench (Ordered)	20	X		3/31/22
Building 244 Unit 209 floor repair/replacement after heat run leak	Water floor damage	15	X		3/31/22
Building 243 order chair rail and schedule installation	2022 chair rail capital reserve	10	X		4/30/22
LONG TERM PROJECTS					
Research PS Security	PS Security	90	X		3/31/22
Building 216 Roof Safety Rails	Researching Options (Safety)	30	X		3/31/22
14205-14207 sewer pipe replacement in the basements	Remedy for Continuous drain backups	10		X	Unknown

Roads & Grounds

Project Status & Objectives

Project Name	Objective	% Comp	On-Time	Late	Goal for Completion
Pine Needle clean-up		100	X		4/1/22
Clubhouse Mulch	top dress mulch	100	X		4/1/22
2022 Stump Grinding List	Removes stumps from property	75	X		6/1/22
Yale spurge removal	re-seed weed filled turf	70	X		5/1/22
Spring Aeration/Fertilization	Starting 4/3/22	30	X		4/15/22
Plant List for 2022	where and what to plant	25	X		5/31/22
2022 asphalt list	Repair driveway lifting/cracks	10	X		4/1/22
Replace Chipper	Investigate (new/used)	5		X	3/1/22

Security

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>
HGA Master Audit for Buildings	Update Resident Info	100		X	12/31/21
Team Meeting	Increase moral/communication	100	X		3/31/22
Work with ACC and SEC on Lgl 3	Updating Governing Documents	100	X		3/31/22
Realtor access "TEST" Policy	Building Safety	90	X		4/30/22
Emergency Contact Policy		75	X		4/15/22
Work with SEC on Lgl 6	Updating Governing Documents	75	X		4/30/22
Purchase new Radios (By end of April)	Communication	75		X	2/1/22
Employee Key Audit	Building Safety (Moved/PPD)	0	X		7/31/22

End of Quarter Report Quarter 1- January through March 2022

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 2022, the focus was development and getting events scheduled through the remainder of the year. We have truly put an emphasis on excellent customer service and using the resources that we have available. Re-training staff to be more versatile while serving guest and residents is still a work in progress but noticeable progress has been made. We have been successfully solidifying events and getting them on the calendar for the rest of the year.
- We changed our hours at the start of the year. The new hours are M-F: 6am-10pm and Sun 7am-7pm. New hours added 20 additional open hours per week. The staff did an excellent job with the change in shifts.
- Equipment functionality has been one of our goals. We want to ensure all equipment can be utilized. We had one projector in the auditorium that was not working. We changed the filter and that got the projector working. We have been able to use our equipment and resources to enhance many of our events.
- We held a Volunteer Orientation in March. This was a joint effort with the restaurant. We were able to get all the volunteers in one room and review expectations, benefits of volunteers, and why we need volunteers. This was the first orientation, so we are excited to keep growing the program.
- We executed some fun events for the quarter. We kicked off with Retro a band that was well received and the attendees requested that they come back. The Super Bowl Party was a lot of fun, we were able to project the game on both projectors in the auditorium. The restaurant was a huge help with the food and beverages for all our events. Ended the quarter on a high note. We had our first dance of the year. Mile High Big Band played, and the residents danced the night away.
- We finished our calendar of events for the year. We have been able to add these events to the website. We really pushed to make this available to anyone who visits the website. They will be able to see the current month of events and future dates.

Next Quarter/ Next 3-Months/Goals

- Be complete and accurate on details and communications to community
- Implement digital flyers on the tv in Clubhouse lobby
- Prepare for Spring Craft Fair and Memorial Day event
- Continue to plan and execute dances
- Open outdoor pool during Memorial Day weekend (weather permitting)
- Research Hearing Loop equipment in the auditorium for the hearing impaired

Budget/Projections /Expenses

- We have identified that our coffee inventory needed a system of control and data. We are working to get a better idea of how much coffee is being sold against how much we are ordering. We have implemented a process to get accurate data. This will aid us in making a responsible coffee order

Golf

Accomplishments/Department Update

- 2022 has started off with some much-needed moisture, November and December was extremely dry at the end of 2021. This did not help us generate the type of revenue we would have liked for the first quarter but by the time March came around the weather tamed, and we had a great month. We had about 4 ½ - 5 weeks of play from Jan-March and during that time we were able to create about \$22k in revenue, including \$835 in simulator revenues, \$2,662 in carts, \$3117 in merchandise & lastly \$675 in lessons.
- One of the greatest things we were able to do in the first quarter was the removal of COVID restrictions. This allows us to get back to normal and give our customers the best experience possible for the 2022 season.
- In March of 2022 we increased our rounds over March 2021 by 411 rounds, this allowed us to increase our revenue by 58% over 2021. This was a huge increase, and we look forward to seeing what the future brings.
- We were granted permission for the use of lottery funds to renovate our hitting cage. We will be updating the full net, carpeting will become Astro turf, and the hitting mats will be significantly upgraded as well. We are excited to reveal the final product.
- Our maintenance staff has been busy getting the course prepared for the upcoming season. The pond fountains are being re-installed and will be operating shortly. New out of bounds stakes have been placed around the golf course, improving the overall image.

- The last week of March our maintenance staff was able to trim some low hanging branches on the course and turn the irrigation system on. Greens have been getting mowed on a weekly basis. The course is already waking up and will be very green soon.

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.
- Now that we have no restrictions with COVID we will be conducting 2 free clinics for residents in the 2nd quarter, this will help to create new golfers who may have never played before but did not want to pay for lessons to see if they like the game.
- The next 3 months will be the official start of the golf season, we will have all our golf leagues beginning in the 2nd 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 in the 3rd week of April, we would like to have this done and the course healed by the time the Men's & Ladies leagues kick off their official tournament season at the end of April.
- We will be completing our golf hitting area project, new net, flooring, and hitting mats in the 2nd quarter.
Our biggest push for the next quarter will be the utilization of social media, we will be putting ourselves out there in collaboration with the restaurant to reach out to more customers in the surrounding area

Budget/Projections /Expenses

- In terms of revenue projections, we did not create the revenue that we would have wanted to be did a fantastic job keeping the operations cost down and staying below budget! As we look forward to the 2nd quarter, we believe we can continue this success as we increase our revenues from pleasant weather.
- For our overall budget loss, I see us being able to stay right in the projected loss of the subsidy even decrease as our leagues begin to start.
- We will have some necessary expenses over the next quarter on improving visuals on the golf course. We will be asking for use of foundation or lottery funds to get new water stations for the golf course. This will help to increase our overall image of the course.

Restaurant

Accomplishments/Department Update

- With the lifting of the mask mandate, we are back to normal sales and volume.
- January sales were \$19,000, Feb was \$26,000 was \$48,000.
- We are booking parties and events on a regular basis; we now have the Breakfast club that meets here on the 2nd Saturday of the month, and we really are incredibly happy to have them.
- We have introduced some of the special dinners and the support and attendance has been uplifting. We really appreciate the community's support. March, we hosted a St. Patrick's Day dinner buffet, and we hosted a Prime Rib Dinner which we got a great response from the community.
- We introduced Brunch on Sundays and it has been a fun day for the residents and the staff, we want to give a great shout out to our volunteers for putting love into the omelets, our volunteer Hostess's. The band that plays Sunday mornings are also volunteers and we really enjoy having them play music for our residents, thank you! Sundays have been a wonderful day to work and have brunch back. Thank you to all the volunteers sincerely. We are averaging 150 people for brunch so that is fantastic.

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.
- With the golf course starting to get busy due to pleasant weather we are looking at opportunities to capture some golf course business.
- We are working with the new business manager to get our presence out there on the social media front and let people know we are open to the public.
- We have some special dinners set up for the next three months, so we are looking forward to hosting those for everyone.
- The Heather Gardens Foundation were gracious enough to approve giving us a couple of herb planters so we can use fresh herbs in your soups and sauces, I've had a very nice resident talk to us about planting and taking care of the herbs so thank you and we look forward to your green thumbs bringing us a great harvest of herbs this year. Thank you, Foundation committee, for your consideration and all you do.

- We are still actively looking for volunteers to help host, assist in decorating and helping in all areas of the restaurant, if you are interested, please stop by, and fill out a volunteer sheet and we will get back to you based on your availability.
- We are like most businesses looking to hire a few more staff members for the restaurant so if you know anyone looking for a parttime job please have them apply. It is such a competitive market it is hard to find good employees, so please be nice to them as they are doing their best.

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.
- March one of our double door coolers went down on us, and we had to replace it so that was not a cheap fix, but we got the best deal out there at \$4,000.
- With the cost of food and other expenses rising so fast we must raise prices to keep our food and beverage prices in line, we have not raised our prices in an exceedingly long time, so we hope our residents understand we must do it. We will still fight with our suppliers for the best prices while not lowering the food quality for our residents.

HGA

Accounting

Accomplishments/Department Update

- Continuous improvements in efficiencies and processes have resulted in MOA's and Financial Board reports to be completed in 4-5 business days following the end of a month for Q1 FY22.
- The Senior Accountant position was eliminated and replaced by a PT Accounting Clerk.
- The 2021 Audit preparation work has been completed and the auditors are progressing with the draft HGA and HGMD audit reports for the April 18 presentation to the B&F committee.
- Emphasis on collections in prior quarters have reduced Assessment Accounts Receivable from a high of \$377K in 2021 to around \$180K as of March 2022.
- Reestablished monthly delinquent notice process with late fees in March.

- We added another 120 accounts to Direct Debit in Q1, which increases the resident participation to 72.3%. Increasing the Direct Debit participation significantly reduces the time required for our cash application process.
- We went live with the newly created RV Lot & Garden Plot Tracking/Billing within Jenark. There were no reportable issues.
- Continue progress on cleaning up property management system.

Next Quarter/Next 3-Months/Goals

- Continue to strengthen and document control environment.
- Continue progress on cleaning up property management system.
- Review other property management accounting systems.
- Update capital reserve report.
- Complete audit requirements with final audit approval by April 18, 2022.
- Begin quarterly community presentation on “Understanding HGA & HGMD Financial Statements.”

Contracts

Accomplishments/Department Update

HGA

- 2021 Elevator Jack Replacement: Completed carry-over project to meet City of Aurora Code.
- 2021 B233 Roof Replacement: Roof Replacement was completed in 2021 but final city inspections were conducted in 2022. Final payment to our vendor was made in 2022 due to inspections being conducted in 2022.
- 2022 FPE Panel Project was Board approved. Contract was executed with Positively Charged. Scheduled and coordinated Electrical panel replacement with residents scheduled to receive a replacement in 2022. Electrician started replacements in March of 2022 and is scheduled to be completed by the end of June 2022.
- 2022 Carpet Replacement Project was board approved. Worked with building AR’s receiving carpet replacement, collecting carpet color selection voter sheets. The contract was sent to the awarded contractor Carpet One to be executed. 2022 Carpet replacement is set to start mid-May and set to go through July 2022.

- Parking Structure Advisory Committee: Worked with PSAC committee to help form a recommendation to the board on the direction of the Parking Structures. We are waiting on BC&E to respond to PSAC's questions regarding the evaluation conducted by BC&E. We are also waiting on Ivins Design to coordinate with the City of Aurora Planning Department. Ivins has been having issues coordinating with the city. Contracts is ready to make the recommendation to follow the Maintenance plan set by BC&E. Waiting on BC&E's responses to PSAC's questions regarding the maintenance plan prior to making their recommendation.
- Parking Structure #3: Worked different vendors and trades to gather pricing to replace the north stair of PS#3.
- 2022 Elevator Jack Replacement Project: Board Approved to move forward, contracting with Custom Contract Elevator Solutions to replace the elevator jacks at B243, 244 and 250. The contract has been executed. The required 50% down payment check will go out to the vendor on 4/15/22.
- 2022 Roof Replacement Project: Working with Versigard Roofs to help make a recommendation to the Maintenance Committee as to what roof is in most need of replacement in 2022. Contracts is hoping to have a recommendation for the Maintenance Committee for the April 2022 meeting.
- 2022 Capital Asphalt/ Concrete Projects: Walked the 2022 Asphalt/ Concrete projects with several vendors.

HGMD

- Fuel Storage Tank: Completed the new Fuel Storage Tank Install (carry-over from 2021). Final payment to vendor was released.
- 2022 Clubhouse Paint Project: We have received several bids. Working on qualify the bids and making a recommendation to the HGMD board in April / May of 2022.
- 2022 Maintenance Parking Lot – Asphalt /Concrete Project: We have walked the project with 3 vendors, waiting on the vendors to submit their final pricing. Contracts will make a recommendation for approval to the HGMD board in April/ May of 2022.
- RV Parking Lot Security Camera: Worked with HG Security on collecting security camera bids and associated camera mounting light poles. Researching a plan and working with Starry to get internet to the RV Parking lot before making a camera recommendation.

Next Quarter/Next 3-Months/Goals

HGA

- 2022 Carpet Replacement Project: Working with awarded contractor to start project mid-May 2022 and go through June of 2022. Coordinating with residents and ARs of buildings receiving carpet replacement in 2022.
- 2022 Roof Replacement Project: walk the roof recommended for replacement with vendors, collect pricing, qualify, and negotiate. We will hopefully have a recommendation to for Board approval by the end of the 2nd quarter or beginning of 3rd quarter.
- 2022 Capital Asphalt /Concrete projects: We plan to finalize and qualify all bids and make a recommendation to the Maintenance Committee and board to approve a vendor(s) to complete the 2022 Asphalt/ Concrete Projects.
- Parking Structure Advisory Committee: Begin collaborating with contractors, Architects, and Engineers to collect pricing and a plan, depending on the direction the HGA decides to go.
- 2022 Roof Re-Coat: Will be collecting bids from vendors to re-coat two foam roofs.
- 2022 FPE Panel Replacement: Continue managing FPE replacement project, coordinating with residents and awarded vendor Positively Charged Electric.

HGMD

- 2022 Clubhouse Paint Project: Looking to have an executed contract and scheduled start dates for this project during the 2nd quarter, beginning of 3rd quarter, depending on the awarded vendor's schedule.
- 2022 Maintenance Parking Lot: Looking to receive HGMD board approval during 2nd quarter and potentially starting the project end of 2nd quarter or early 3rd quarter.
- RV Parking Lot: Looking to move forward with security camera work by the 2nd or 3rd quarter
- RV Parking Lot: Finalize 3 repairs from 2021 Asphalt and restriping work.

Custodial

Accomplishments/Department Update

- Custodial has seen some changes over the course of the first quarter. We are currently backfilling the Custodial Manager position. The department is fully staffed at this time

excluding the Manager and one part-time position. We have received part-time applicants in the last week, so we are interviewing to fill that role. Overall, the team has been working well together to fill the gaps of staffing and completing their daily tasking in an efficient productive manner.

- In the absence of the Manager while interviews are proceeding, the Mgmt. Office has been coordinating with Maintenance and the leads of Custodial to ensure work schedules and projects are being completed daily.
- The custodial van has been repainted – it no longer has paint chipping away from the sides and the roof and look brand news. This was important to complete as it makes the vehicle look like new and is a brand representation piece for our department and community.
- Maintenance Shop Cleaning/Floor Waxing Etc. was completed.

Next Quarter/Next 3-Months/Goals

- Hire & On-Board Custodial Manager
- Review Equipment
- Continue to Evaluate and Optimize Cleaning Schedule with Staff
- Continue Stair Cleaning/Washing

Budget/Projections/Expenses

- Custodial is slightly over budget for the first quarter however, with the salary vacancy from the manager this will be mostly resolved. The department was benchmarked and reviewed to ensure there are competitive wages for the local market.
- Cost of Goods for Supplies and Equipment are continuing to rise, and the availability of equipment is difficult do to supply chain. We are hopeful we will receive our extractor that was purchased in December of 2021 in May 2022.

Human Resources

Accomplishments/Department Update

- The first quarter of 2022 was quite jam packed on top of all the usual manager assistance, new hire orientation, benefit reporting, employee assistance, and general HR responsibilities.
- Review & benchmarking of departments this quarter. Work with the PPC on benchmarking all departments as we move forward through the year. We have seen

many changes within the economy and so on that have led to recommended changes and movement to ensure HG is competitive within the market.

- Re-launch of the safety program and got it nailed down into Jan to ensure it was going smoothly in the departments.
- The admin office was restructured, and our work order coordinator was promoted up to Business Office Manager after many vetting and interviewing took place. We also had to then hire a new receptionist/work order coordinator to back fill this role.

Next Quarter/Next 3-Months/Goals

- Setup/Execute Customer Service Training/class
- Turn all employee forms into Spanish versions
- Get the employee “way-to-go program” kicked off
- Misc. Employee Events
- Continue General Support to All Departments and the Business as needed

Facilities Engineering

Accomplishments/Department Update

1st Quarter 2022 Accomplishments			
Project Name	Objective	Completion Date	Notes & Comments
4th floor laundry room linoleum tile remove and replace	Asbestos abatement of flooring and. Install new floor VCT tiles. (In-house install)	1/7/2022	Completed
1st floor trash chute area linoleum tile remove and replace	Asbestos abatement of flooring and glue. Install new floor VCT tiles. (Contractor install)	1/20/2022	Completed
Club - Men's handicap shower stall	Replace walk-in shower stall and base (In-house install)	1/26/2022	Completed
Elevator new hydraulic pump motor (Emergency repair)	Restore service to the elevator	1/13/2022	Completed
Elevator new hydraulic pump motor (Emergency repair)	Restore service to the elevator	1/17/2022	Completed
Common area light fixture change and LED lighting	Part of property LED light upgrade and completed in along with the chair rail project	2/4/2022	Completed

Restaurant HVAC Replacement	All phases of replacement completed	2/1/2022	Completed
2022 Cap Res requests	Chair rail at 243,219,214		Completed
Building 233 chair rail	Material delivered and contractor installed	2/7/2022	Completed
Helped with ACC PM-A1 modifications	Edit document	3/1/2022	Completed
Building/garage CO2 system	Replaced 4 sensors - calibrated and tested	3/1/2022	Completed
Building 233 roof replacement	Capital reserve project	3/1/2022	Completed
Club women's handicap shower stall	Fiberglass stall repaired	3/4/2022	Completed
2022 Cap Res request	Concrete, handrails, Emergency elevator	2/22/2022	Completed
Fire Alarm repairs completed	Buildings 216 and 234	3/7/2022	Completed
Evaluate Hot Shot scans	Prepared evaluation and submitted at Structure meeting	2/22/2022	Completed
Building common area light fixtures	LED lighting as part of property LED light upgrade & part of chair rail cap res	3/11/2022	Completed
Walk-thru with Starry Internet	PS-1, CP1 and NTH	3/1/2022	Completed
2022 Annual backflow testing & inspections completed	Required	2/28/2022	Completed
2022 Annual fire extinguisher inspection completed.	A proposal will be submitted for cost of testing or replacements	3/18/2022	Completed
Club women's handicap shower stall seat	Stall seat installed	3/31/2022	Completed
Jet restaurants mainline	Drain slow	3/31/2022	Completed

Next Quarter/Next 3-Months/Goals

- Start handrail repair/replacement work (Capital Reserve Project)
- Start concrete replacement work (Capital Reserve Project)
- Building 212 broken fire main pipe (Emergency repair)
- Building 243 broken fire main pipe (Emergency repair)
- Building 216 99-gallon water heater replacement (Emergency repair)
- Building 243 replace all 95 boiler tubes

- Building 244 – 209 after water leak floor repair/replacement
- Basement content removal
- Sewer main line in basements replacement
- Semi-annual mainline sewer jetting
- Building 243 chair rail project
- Building 231 center stairwell linoleum stair tread, tile cove base and glue removal. Repair concrete on steps and landings. Paint steps and landings. Place non-skid strips on stairs.
- Building 209- 103 after water leak floor repair/replacement
- Building 220 Cap Res requests for hot water recirculation project
- Cap Res requests for retaining wall funds (working with Matt and Harold to get pricing)
- Helped with ACC PM-A1 modifications
- Work on HGMD capital reserve plans
- Work on HGMD HVAC computer software and hardware upgrade needed

Maintenance

Accomplishments/Department Update

Personnel

- All reviews done ahead of schedule.
- Training 1st quarter on flood Mitigation.
- Asbestos training continues until May 2022.
- Hired 1 Service Tech, Need to hire 1 more.

Completed Goals

- Created communication board in Maintenance.
- Weekly Crew Chief meetings
- Working with other Depts to reach goals.
- Continue training with Facilities Engineer in contracts.
- Established 2022 courtesy inspections schedule.
- Assign service techs to new buildings for rotations.
- Weekly safety meetings.
- Authored article for April's 2022 heather and yon.
- Establish community maintenance calendar for the year.

Projects Completed

- Replaced 220 emergency door in garage, with push bar door.
- Replaced lights in building 233 in hallways.
- Replaced lights in building 243 in hallways.
- Replaced Men's shower unit upgrade/repair in clubhouse.

- Fixed/Repaired ladies shower unit in clubhouse.
- Stiped middle stairwell in building 233 and redone floor with paint.
- Fixed 212 fire main line behind 212 building.

Next Quarter/Next 3-Months/Goals

- 2nd quarter training on swamp coolers.
- Dryer vent cleaning continuing from 2021, buildings 224,231,232,233,234,235.
- Starting 243 chair rail project beginning April 18th.
- Swamp coolers restart in May 2022.
- Begin restriping of parking lots of buildings, will determine what locations need to be done first.
- Opening outdoor pools in May 2022.
- Working on spring cleaning of depts 2022. Will hold meeting with team to determine.
- Complete vehicle inspection sheets for use.
- Continue to work with Facilities Engineer & Contracts to establish more in house projects.
- Follow up on Sops being entered into s drive for future reference.

Roads & Grounds

Accomplishments/Department Update

- The first 3 months of 2022 have been filled with snowstorms. The R&G crew has spent many days on snow removal and clean-up. However, with summer quickly approaching, we are gearing up for our spring and summer activities.
- Some capital expenditure processes have been started already. We are currently getting prices on a replacement truck for #500.
- The 2022 stump grind list has been completed, an evaluation will need to be completed on which stumps our crew can remove in house and which need to be completed by an outside contractor.
- The 2022 plant list has been started. With many requests for new shrubs being submitted, decisions will have to be made on where we plant, focusing on budgetary constraints.
- Our test section of tree rings has been completed and we are waiting on the results from those test areas.
- We have brought Lyn back on as a FT seasonal crew member to assist the mow crew and we have another FT hire in the process, currently.
- 70 yards of new mulch was installed at the Clubhouse.

Pruning Crew:

- Started the pruning season
- Currently focusing on tall, decorative grasses and other shrubs that can be flush cut
- Pruned the Clubhouse as new mulch was being installed

Mow/Special Projects Crew:

- Aeration has begun
- Property has been edged once to get a head start on the season
- Mowing will begin in the next 2 to 3 weeks
- Fertilization will start on the 18th of April

Irrigation Crew:

- Replacing leaking or nonoperational valves
- Fixing known problems during the off season

Next Quarter/Next 3-Months/Goals

- Complete fertilization
- Complete Aeration
- Begin mowing operations
- Startup irrigation systems
- “Roll-out” pruning schedule for 2022
- Complete seed project on Yale islands

Budget/Projections/Expenses

- In Q3 of 2022, R&G will be working on a bench pad project between building 244 and CP 3.
- The team will be working on special projects (weather/conditions permitting)
- 2022 should be an exciting year with projects that will make a significant impact on the property to the benefit of the residents.

Security

Accomplishments/Department Update

- Conducted their bi-yearly firearms training
- Completed the emergency contact book audit for all the buildings
- Worked with CEO, CHRO and former COO on implementing a safety program for employees
- Changed uniforms for availability and comfortability and decreasing the chances of back injuries by eliminating equipment from being carried on a duty belt

- Worked with the chairs of the ACC and AEC committee on updating PMA-1, Legal 3
- Had new security cameras installed on the maintenance building covering areas that previously were not covered
- Worked with management office updating leases.
- Set up a senior safety seminar with Officer James Seneca from APD

Next Quarter/Next 3-Months/Goals

- The next quarter will be spent on maintaining staffing
- Obtaining additional training for officers in the following: report writing, and conflict resolution
- Conduct an audit of the Emergency Contact information for the country places and townhomes
- Conduct an employee key audit.
- Maintain staffing
- Explore other training for officers
- Work with SEC chair on updating Legal 6 (Parking and towing rules)
- Work with Aurora Police on another seminar on protecting residents from crime

Budget/Projections/Expenses

- New department radios
- Service and upkeep on patrol vehicles
- Find camera solutions for the Parking Structures and RV lot

Heather Gardens Clubhouse/Restaurant Committee Meeting

April 12, 2022

Chair, Maria Mines, opened the meeting at 3:00 PM in the HG Board Room, with all committee members present. One committee member asked if disagreement regarding change to HGMD bylaws should be included in the March report. HGMD had received communications from various residents about this issue, but since it was not discussed at that meeting, the issue would not be included in the report. Report of the March 8th meeting was approved, as written.

Review of Financial Reports. P&L statements of Clubhouse were reviewed, and wages appeared to be down from the previous month. Montrell explained that instructors were not paid for 2 weeks due to break in class sessions.

P&L statements of the Restaurant were reviewed. Cormac explained that credit card fees run a month behind and do not always match recorded sales per month. Costs for outside contractors apply to service of restaurant equipment. Non-capital equipment costs apply to a new refrigeration system (under \$5,000) recently installed (equipment is capitalized only when it exceeds \$5,000).

Report from Clubhouse Manager. Montrell Anthony presented a chart with data collected over 3 months regarding use of Clubhouse facilities and specific times of activity. The chart shows that attendance at opening hours (6:00-7:00 AM) is steadily growing, and attendance during night time hours (9:00-10:00 PM) is practically zero. Attendance and use of the Clubhouse will continue to be monitored and other activities will be given credence before making a final decision about hours of operation. Compliments were given to Montrell and Julie for a very well-organized Craft Fair and courtesies given to vendors.

Volunteers continue to be recruited to help with different areas in the Clubhouse: front desk, greeters, library, trips and special events.

Report from Restaurant Manager. Cormac Ronan reported that revenues were up last month. Daily lunch and dinner specials appear to be very popular. Staffing remains a big problem, with 5 full-time and 3 or 4 part-time employees, Rendezvous is looking to hire some part-time help, but conditions are not favorable, although its wages are in line with the industry. Supplies and food prices have increased, and that will probably result in higher menu prices. Volunteering in a restaurant is different from helping in the Clubhouse, the pace is more intense, especially during special events. The restaurant now has 5 volunteers and more could possibly lighten the load for the staff. Articles in Heather 'N Yon, as well as notices posted on the Events TV in the Clubhouse lobby have proven to be effective. The patron loyalty program is in the works and expected to be implemented soon.

New Business. A comment from the audience regarding the public's use of HG facilities suggested that non-residents be charged higher rates in order to defray subsidy costs. The committee agreed to make the CEO aware of this discussion.

There were no further questions or comments from the audience, and the meeting was adjourned at 4:05 PM. Date and time for the next Clubhouse/Restaurant committee meeting will be determined at a later date.

Lenora Tracy, Secretary

HEATHER GARDENS METROPOLITAN DISTRICT

Foundation Committee Report April 13, 2022

Committee: Eloise Laubach, Chair, Charlane Pluchek, Becky Cole, Mavis Richardson, Terry Schumacher

The meeting was called to order at 1:03 p.m. A quorum was present.

Chair Comments: Chair reported she will remain as Chair of this committee and remain on the HGMD Board for 3 more years.

Chair of the Committee will attend the April 14 Zoom meeting of the AROs to briefly discuss the Foundation.

Unfinished Business: The Foundation has received the \$594.25 for the bench that never arrived. No report of a replacement.

New Business: Plans for the April 16 were discussed with Montrell and volunteers are in place for that event.

Next meeting will be on May 11, 2022 at 1:00 if needed

Meeting adjourned at 1:40 p.m.

.

Golf Committee Meeting notes – April 12, 2022

1. Called to order at 12:55 pm.
2. Absent Tom, Beulah, Ed, Debra. Tom and Debra's terms are up, and 2 new members need to be appointed.
3. Chair Comments, this is his last meeting.
4. Minutes of the last meeting needed the addition to #9 of "much discussion and resistance to the idea of committees combining".
5. Financials reviewed and approved, with kudos to Greg for Golf Revenues.
6. Brian stated that the course is ready for play.
7. Greg also stated that they are anxious for warm weather, all leagues are returning and 1 new one has been added.
8. Linda Savage spoke for the Women's Club, upcoming tournaments with the Men's Club, Battle of the Gardens in July, Battle of the "Old Bags" in Aug.
9. New Business, Linda Hileman reminded all that the budget will be up for consideration soon, and that subsidies and inflation need to be expected. Someone to gather fee information from other courses is needed, Greg was asked and accepted to get some information.
10. Meeting ended at 1:15 pm.

Mike George Chair

HGMD TREASURER'S REPORT for April 2022 Board Meeting

Highlights of District Operations for the month ended March 2022

Enterprise Fund:

Enterprise Fund revenue through March was \$535,156 which is \$47,500 less than budgeted. Enterprise Fund expenses through March were \$529,300 which was \$108,300 less than budgeted. Recreation Fee income was as expected. Clubhouse, Restaurant, and Golf Revenue were \$47,700 less than budgeted. Clubhouse, Restaurant, and Golf expenses were \$87,600 less than budgeted.

Restricted Funds

Conservation Trust Fund (Lottery). The Colorado Lottery provided \$5,461 revenue to the District during March. \$12,652 of lottery funds have been used for District projects. There was \$158,254 in the lottery bank account at the end of the month.

Foundation Fund. The Foundation Fund received \$250 in donations through March. The Foundation bank account has a balance of \$40,444 and investments amounting to \$150,000 at the end of the month,

Debt Service Fund. Property tax collection, year to date, has been \$181,821. Specific ownership tax revenue year to date has been \$8,104. Bond Interest expense of \$76,850 has been recorded. The Debt Service bank account has a balance of \$370,639 at the end of the month.

FOR THE MONTH ENDED MARCH 2022

	Budget	Actual
Clubhouse Subsidy	\$59,032	\$57,426
Golf Subsidy	\$52,121	\$28,933
Restaurant Subsidy	\$ 9,589	\$ 8,885

YEAR TO DATE THROUGH MARCH

Clubhouse Subsidy	\$165,216	\$149,135
Golf Subsidy	\$ 135,921	\$103,051
Restaurant Subsidy	\$ 32,280	\$ 41,350

2022 Statistical Information

	Golf Rounds Played	Restaurant Guests
January	182	1063
February	0	1666
March	967	3162
April		
May		
June		
July		
August		
September		
October		
November		
December		
Total	1149	5891

HEATHER GARDENS BUDGET & FINANCE COMMITTEE
APRIL 18, 2022, MEETING REPORT
ZOOM MEETING

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, Linda Serio, and Richard Ferguson.

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

Audience: Approximately 25 residents, including HGA Board Members and HGMD Board Members

Welcome and Chair Comments: The B&F Committee meeting was called to order at 10:05 AM. A quorum was established. Co-Chair Hostetler welcomed all members and residents present.

Item #1 under new business was presented and discussed at this point in the meeting. The notes on the discussion appear in the new business section.

The March 14, 2022, B&F Committee meeting report was accepted with one correction.

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

Subcommittee and Other Reports:

Audit Subcommittee: Report was reviewed.

Insurance Subcommittee: The committee met on March 18th and will meet again on April 20th to review all HGA insurance policies.

Capital Projects Subcommittee: No meeting.

Investment Update: The required paperwork to invest HGA capital funds in annuities will be signed on April 18th.

Unfinished Business: None

New Business:

- 1) Review of the 2021 HGA and HGMD audits. Staff of Rubin, Brown (auditors) presented the audits for both HGA and HGMD. Both organizations' audits state that the financial statements present fairly, in all material aspects, the financial position of the organizations as of December 31, 2021.

Motion by Baldwin, seconded by Serio and approved by a majority of the Joint Budget and Finance Committee recommends that the Heather Gardens Association accept and approve the 2021 Audit pending completion of the open items listed on the lead page of the December 31, 2021, financial statements.

Motion by Nash, seconded by Baldwin and approved unanimously that the Joint Budget and Finance Committee recommend that the Heather Gardens Metropolitan District Board of Directors accept and approve the 2021 Audit pending completion of the open items listed on the lead page of the December 31, 2021, financial statements.

- 2) Information was provided regarding an emergency expenditure of the purchase of a 100-gallon hot water tank installed in building 216 at a cost of \$34,530. As this was an emergency and authorized by the Chief Executive Officer using the CEO's emergency authority, no motion was needed from the Joint Budget and Finance Committee.
- 3) Motion by Baldwin, seconded by Nash and approved unanimously that the Joint Budget and Finance Committee recommend that the Heather Gardens Association Board of Directors and the Heather Gardens Metropolitan District Board of Directors approved that the CEO's discretionary spending authority for operating expenditures be increased from \$10,000 to \$20,000.
- 4) Motion by Lane, seconded by Laubach and approved unanimously that the Joint Budget and Finance Committee recommend that the Heather Gardens Association Board of Directors approve the Chair Rail Project for Building 214 at a total cost of \$25,818.
- 5) Motion by Laubach, seconded by Baldwin and approved unanimously that the Joint Budget and Finance Committee recommend that the Heather Gardens Association Board of Directors approve the Chair Rail Project for Building 219 at a total cost of \$25,818.
- 6) Motion by Nash, seconded by Serio and approved unanimously that the Joint Budget and Finance Committee recommend that the Heather Gardens Association Board of Directors approve the Chair Rail Project for Building 243 at a total cost of \$25,818.

Note regarding the 2021 audits of both HGA and HGMD: the final audits when received will be posted on the HGA website.

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

The meeting was adjourned at 11:32 AM. The next meeting will be on May 16, 2022.

**Heather Gardens Metropolitan District
Board Action
Date: April 21, 2022**

Motion: To Accept and Approve the 2021 Heather Gardens Audit of the December 31, 2021, Financial Statements

Based upon the recommendation of the Joint Budget and Finance Committee, I move that the Heather Gardens Metropolitan District Board of Directors accept and approve the 2021 Audit of the December 31, 2021, 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

Rationale/Notes: The audit states that on December 31, 2021, the Financial Statements of the Heather Gardens Metropolitan District present fairly, in all material aspects, the financial position of the District on December 31, 2021.

**HEATHER GARDENS
METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Open Items:

- Quality control review
- Subsequent event inquiry
- Representation letter
- Report date

Contents

	Page
Independent Auditors' Report	1 - 4
Management's Discussion And Analysis	5 - 8
 Basic Financial Statements	
Statement Of Net Position	9
Statement Of Revenues, Expenses And Changes In Net Position.....	10
Statement Of Cash Flows.....	11 - 12
Statement Of Fiduciary Net Position	13
Statement Of Changes In Fiduciary Net Position.....	14
Notes To Basic Financial Statements.....	15 - 26
 Supplementary Information	
Proprietary Fund Schedule Of Revenues, Expenditures And Changes In Funds Available - Budget And Actual (Budgetary Basis)	27
Note To Budgetary Comparison Schedule.....	28

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, 2021, 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, 2021, 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 audits 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 audits. 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 opinion. 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, 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 as a whole. The budget and actual schedule and note to the schedule on pages 28 and 29, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

Other Information

We have previously audited the District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

XXX XX, 2022

DRAFT FOR
DISCUSSION PURPOSES
ONLY

HEATHER GARDENS METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2021

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, 2021. 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, 2021. This statement provides useful information regarding the financial position of the District. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the District.

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

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

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

Financial Highlights

- The District's net position increased by \$135,544 or 2.8% 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 \$423,675 or 20.0% from revenues in 2020. The District's operating expenses increased \$123,634 or 5.0% from expenses in 2020.
- Non-operating revenues decreased by \$67,165 or 10.9% as a result of a decrease in property taxes collected, specific ownership taxes, and lower bond interest income. There was a slight increase in Conservation Trust Fund entitlement and a decrease in interest earned on Certificates of Deposit.
- Non-operating Expenses decreased by \$44,603 or 11.7%. The reduction is attributed to a loss on the sale of an asset in 2020.
- 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 \$270,000 or 3.4%

Financial Summary and Analysis

Capital Assets

	2021	2020	2019
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	32,195	18,515	—
Property, furniture and equipment	16,223,625	16,078,770	16,053,966
Less accumulated depreciation	(7,401,522)	(6,847,098)	(6,271,023)
Total Capital Assets - Net	\$ 10,712,488	\$ 11,108,377	\$ 11,641,133

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:

	2021	2020	2019
Current assets	\$ 2,389,189	\$ 2,209,103	\$ 1,852,078
Noncurrent assets	356,595	395,242	381,388
Capital assets, net of accumulated depreciation	10,712,488	11,108,377	11,641,133
Total Assets	13,458,272	13,712,722	13,874,599
Deferred Outflows of Resources	614,585	647,074	679,564
Current liabilities	612,145	728,123	421,938
Long-term liabilities	8,039,207	8,352,734	8,656,260
Total Liabilities	8,651,352	9,080,857	9,078,198
Deferred Inflows of Resources	500,779	493,757	548,848
Invested in capital assets, net of related debt	3,007,866	3,132,717	3,404,437
Restricted	352,058	412,900	399,396
Unrestricted	1,560,802	1,239,565	1,123,284
Total Net Position	\$ 4,920,726	\$ 4,785,182	\$ 4,927,117
Operating revenues	\$ 2,538,393	\$ 2,114,718	\$ 2,662,850
Nonoperating revenues	550,283	617,448	646,899
Total Revenues	3,088,676	2,732,166	3,309,749
Operating expenses	2,616,578	2,492,944	3,154,698
Nonoperating expenses	336,554	381,157	346,262
Total Expenses	2,953,132	2,874,101	3,500,960
Changes In Net Position	135,544	(141,935)	(191,211)
Ending Net Position	\$ 4,920,726	\$ 4,785,182	\$ 4,927,117

The District's non-operating revenue decreased \$67,165 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 less \$60,000 from excess operating funds from prior years. These decreases were offset by a small increase in the Conservation Trust Fund (lottery) entitlement but reduced by a decrease in interest earned on certificates of deposit.

HEATHER GARDENS METROPOLITAN DISTRICT

Management's Discussion And Analysis (*Continued*)

Long-Term Debt Outstanding

	2021	2020	2019
General obligation bonds	\$ 7,685,000	\$ 7,955,000	\$ 8,215,000

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 2021, the District paid down the principal by \$270,000 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 2021 resulting from the COVID-19 pandemic, revenues were \$273,071 below budget. There were no budget amendments made for 2021.

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 saw a rebound in business volume as it emerged from the COVID-19 pandemic for the year ended December 31, 2021. The District made sales totaling approximately \$990,000 from restaurant income, golf course fees, and clubhouse usage; a 49% increase from 2020. Management expects business volume to increase in 2022 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, 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, 2021

(With Comparative Totals As of December 31, 2020)

Assets And Deferred Outflows Of Resources

	Proprietary Fund	
	2021	2020
Current Assets		
Cash and cash equivalents	\$ 1,010,096	\$ 883,632
Certificates of deposit	750,000	750,000
Property tax receivable	500,779	493,757
Accounts receivable, net of allowance for doubtful accounts of \$1,000 in 2021 and 2020, respectively	24,789	28,079
Prepaid expenses	50,935	—
Inventory	41,182	38,254
Due from the Foundation	—	3,973
Other current assets	11,408	11,408
Total Current Assets	2,389,189	2,209,103
Noncurrent Assets		
Cash restricted	356,595	395,242
Nondepreciable capital assets	1,767,195	1,743,515
Intangible assets	133,190	133,190
Depreciable capital assets, net of accumulated depreciation of \$7,401,522 and \$6,847,098 in 2021 and 2020, respectively	8,822,103	9,231,672
Total Noncurrent Assets	11,069,083	11,503,619
Total Assets	13,458,272	13,712,722
Deferred Outflows Of Resources		
Deferred loss on 2010 bond refunding	614,585	647,074
Liabilities, Deferred Inflows Of Resources And Net Position		
Current Liabilities		
Accounts payable	61,972	8,659
Interest payable	25,617	32,702
Deposits	13,653	13,536
Due to the Association	114,306	314,674
Due to the Foundation	1,100	—
Unearned revenue	92,533	65,588
Unspent insurance claim	22,964	22,964
Current portion of bonds payable	280,000	270,000
Total Current Liabilities	612,145	728,123
Long-Term Liabilities		
Bonds payable	8,039,207	8,352,734
Total Liabilities	8,651,352	9,080,857
Deferred Inflows Of Resources		
Unearned property tax revenue	500,779	493,757
Net Position		
Net investment in capital assets	3,007,866	3,132,717
Restricted	352,058	412,900
Unrestricted	1,560,802	1,239,565
Total Net Position	\$ 4,920,726	\$ 4,785,182

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For The Year Ended December 31, 2021

(With Comparative Totals For the Year Ended December 31, 2020)

	Proprietary Fund	
	2021	2020
Operating Revenue		
Recreation use fees	\$ 1,516,879	\$ 1,382,809
Golf course fees	445,303	364,875
Restaurant income	430,184	271,390
Clubhouse fees	116,158	33,590
Recreational vehicle lot rentals	26,165	35,231
Other operating revenue	3,704	26,823
Total Operating Revenue	2,538,393	2,114,718
Operating Expenses		
Clubhouse, golf course, recreational vehicle lot	1,318,651	1,273,380
Depreciation	574,695	586,883
Restaurant expenses	558,949	457,395
Professional services and insurance	133,299	131,066
Other operating expenses	30,984	44,220
Total Operating Expenses	2,616,578	2,492,944
Operating Loss	(78,185)	(378,226)
Nonoperating Revenue		
Property taxes	493,757	548,743
Specific ownership taxes	33,937	39,858
Conservation Trust Fund entitlement	20,726	17,406
Income on certificates of deposit	1,863	11,441
Total Nonoperating Revenue	550,283	617,448
Nonoperating Expenses		
Interest	317,300	322,580
Amortization of deferred loss on bond refunding and discount	32,489	32,489
Other nonoperating expenses	20,292	18,769
Loss on disposition of assets	—	40,845
Amortization of bond premium, net	(33,527)	(33,526)
Total Nonoperating Expenses	336,554	381,157
Change In Net Position	135,544	(141,935)
Net Position - Beginning Of Year	4,785,182	4,927,117
Net Position - End Of Year	\$ 4,920,726	\$ 4,785,182

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2021

(With Comparative Totals For The Year Ended December 31, 2020)

Page 1 Of 2

	For The Years Ended	
	December 31,	
	2021	2020
Cash Flows From Operating Activities		
Payments received from customers	\$ 2,573,818	\$ 2,106,567
Payments to suppliers for goods and services	(2,242,801)	(1,617,137)
Net Cash Provided By Operating Activities	331,017	489,430
Cash Flows From Noncapital Financing Activities		
Specific ownership taxes	33,937	39,858
Other nonoperating expenses	(20,292)	(18,769)
Net Cash Provided By Noncapital Financing Activities	13,645	21,089
Cash Flows From Capital And Related Financing Activities		
Property taxes levied for debt service, net	493,757	548,743
Principal paid on long-term debt	(270,000)	(260,000)
Interest paid on long-term debt	(324,385)	(331,435)
Conservation Trust Fund entitlement	20,726	17,406
Acquisition of property and equipment	(178,806)	(94,972)
Net Cash Used In Capital And Related Financing Activities	(258,708)	(120,258)
Cash Flows Provided By Investing Activities		
Income on certificates of deposit	1,863	11,441
Net Increase In Cash And Cash Equivalents	87,817	401,702
Cash And Cash Equivalents - Beginning Of Year	1,278,874	877,172
Cash And Cash Equivalents - End Of Year	\$ 1,366,691	\$ 1,278,874

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2021

(With Comparative Totals For The Year Ended December 31, 2020)

Page 2 Of 2

	For The Years Ended	
	December 31,	
	2021	2020
Reconciliation Of Loss From Operations To Net Cash		
Provided By Operating Activities		
Operating loss	\$ (78,185)	\$ (378,226)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	574,695	586,883
Changes in assets:		
Receivables	7,263	(23,948)
Prepaid expenses	(50,935)	—
Inventory	(2,928)	(8,555)
Other assets	—	8,235
Changes in liabilities:		
Accounts payable	54,413	(24,609)
Due to the Association	(200,368)	313,853
Deposits	117	(665)
Unearned revenue	26,945	16,462
Net Cash Provided By Operating Activities	\$ 331,017	\$ 489,430

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF FIDUCIARY NET POSITION (With Comparative Totals For The Year Ended December 31, 2020) December 31, 2021

	Heather Gardens Foundation Custodial Fund	
	2021	2020
Assets		
Cash and cash equivalents restricted	\$ 38,293	\$ 41,751
Certificates of deposit restricted	150,000	150,000
Due from the District	1,100	—
Total Assets	189,393	191,751
Liabilities		
Due to the District	—	3,973
Total Liabilities	—	3,973
Net Position		
Restricted	189,393	187,778
Total Net Position	\$ 189,393	\$ 187,778

HEATHER GARDENS METROPOLITAN DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
(With Comparative Totals For The Year Ended December 31, 2020)
For The Year Ended December 31, 2021

	Heather Gardens Foundation Custodial Fund	
	2021	2020
Additions		
Donations	\$ 2,956	\$ 4,260
Investment income on certificates of deposit	233	3,546
Total Additions	3,189	7,806
Deductions		
Other expenses	1,574	11,229
Change In Net Position	1,615	(3,423)
Net Position - Beginning Of Year	187,778	191,201
Net Position - End Of Year	\$ 189,393	\$ 187,778

HEATHER GARDENS METROPOLITAN DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2021

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

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 2020 District financial statements from which the summarized information was derived.

Deferred Outflows Of Resources

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

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

Deferred Inflows Of Resources

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

Subsequent Events

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

3. Cash, Cash Equivalents And 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, 2021, the District's cash deposits at financial institutions had a book balance of \$2,304,984 and a corresponding bank balance of \$2,299,247. Of the bank balance, \$1,332,874 was covered by federal depository insurance with multiple banks. The remainder of the bank balance, \$966,373, 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, 2021, 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	\$ 1,009,346	\$ 1,004,923
Deposits with financial institutions - restricted	394,888	394,886
Certificates of deposit	900,000	899,438
Cash on hand	750	—
	<u>\$ 2,304,984</u>	<u>\$ 2,299,247</u>

At December 31, 2021, 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	\$ 1,010,096	\$ —	\$ 1,010,096
Cash and cash equivalents restricted	356,595	38,293	394,888
	<u>\$ 1,366,691</u>	<u>\$ 38,293</u>	<u>\$ 1,404,984</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 Fund. At December 31, 2021, the balance of this fund was \$38,293. The Custodial Fund also held \$150,000 in certificates of deposits as of December 31, 2021.

The District restricted cash to meet the bond reserve requirements for servicing the bonds in the amount of \$183,438 at December 31, 2021.

In accordance with Colorado Revised Statutes, the District maintains a separate bank account for the Conservation Trust Fund entitlement. At December 31, 2021, the balance of these funds were \$173,157.

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, 2021 is as follows:

	Balance - January 1, 2021	Additions/ Transfers	Deletions/ Transfers	Balance - December 31, 2021
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$ 1,725,000	\$ —	\$ —	\$ 1,725,000
Construction in progress	18,515	13,680	—	32,195
Intangible asset (City of Aurora water rights)	133,190	—	—	133,190
Total Nondepreciable Capital Assets	1,876,705	13,680	—	1,890,385
Depreciable Capital Assets				
Property and equipment	13,307,508	64,010	—	13,371,518
Furniture and equipment	1,209,401	—	—	1,209,401
Restaurant equipment	137,948	101,116	(20,271)	218,793
Restaurant and pro shop renovation	1,346,537	—	—	1,346,537
Capital lease equipment	77,376	—	—	77,376
Total Depreciable Capital Assets	16,078,770	165,126	(20,271)	16,223,625
Total Capital Assets	17,955,475	178,806	(20,271)	18,114,010
Accumulated Depreciation	(6,847,098)	(574,695)	20,271	(7,401,522)
Net Depreciable Capital Assets	9,231,672	(409,569)	—	8,822,103
Total Capital Assets, Net Of Depreciation	\$ 11,108,377	\$ (395,889)	\$ —	\$ 10,712,488

5. Long-Term Obligations

The following is an analysis of changes in long-term obligations for the year ended December 31, 2021:

	Balance - January 1, 2021	Additions	Reductions	Balance - December 31, 2021	Due Within One Year
Series 2017 General Obligation Refunding Bonds	\$ 7,955,000	\$ —	\$ (270,000)	\$ 7,685,000	\$ 280,000
Premium on Series 2017 General Obligation Refunding Bonds	667,734	—	(33,527)	634,207	33,526
Total Long-Term Obligations	\$ 8,622,734	\$ —	\$ (303,527)	\$ 8,319,207	\$ 313,526

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 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
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	325,000	260,000	585,000
2027 - 2030	1,435,000	904,600	2,339,600
2031 - 2035	2,140,000	783,400	2,923,400
2036 - 2040	2,600,000	320,000	2,920,000
	<u>\$ 7,685,000</u>	<u>\$ 3,428,800</u>	<u>\$ 11,113,800</u>

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, 2021, the District had net position invested in capital assets, which is calculated as follows:

Capital assets - net of accumulated depreciation	\$ 10,712,488
Capital related borrowings	(8,319,207)
Deferred loss on 2010 bond refunding	614,585
	<u>\$ 3,007,866</u>

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (Continued)

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, 2021:

Restricted	
TABOR emergency reserves	\$ 15,831
Conservation Trust Fund	152,789
Debt service	<u>183,438</u>
Total	<u>\$ 352,058</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.

The Foundation had the following restricted net position as of December 31, 2021:

Restricted	
Foundation	\$ 189,393
Total	<u>\$ 189,393</u>

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

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, 2021. 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 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.

HEATHER GARDENS METROPOLITAN DISTRICT

Notes To Basic Financial Statements (*Continued*)

At December 31, 2021, there was \$114,306 balance due to the Association.

9. Tax, Spending And Debt Limitations

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes that its operations qualify for this exclusion; however, management has elected to adopt certain provisions of TABOR with respect to property tax revenue collected by the District.

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding enterprise operations and bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

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

Supplementary Information

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

HEATHER GARDENS METROPOLITAN DISTRICT

PROPRIETARY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

For The Year Ended December 31, 2021

	Original And Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Recreation use fees	\$ 1,516,758	\$ 1,516,879	\$ 121
Golf course fees	469,218	445,303	(23,915)
Restaurant income	658,492	430,184	(228,308)
Clubhouse fees	111,564	116,158	4,594
Recreational vehicle lot rentals	41,808	26,165	(15,643)
Other operating revenues	—	3,704	3,704
Property taxes	493,745	493,757	12
Specific ownership taxes	39,996	33,937	(6,059)
Conservation Trust Fund entitlement	18,400	20,726	2,326
Income on certificates of deposit	11,766	1,863	(9,903)
Total Revenues	3,361,747	3,088,676	(273,071)
Expenditures			
Operating:			
Clubhouse, golf course, recreational vehicle lot	1,429,944	1,318,651	111,293
Restaurant expenses	740,992	558,949	182,043
Professional services	80,750	84,006	(3,256)
Insurance	56,635	49,293	7,342
Other operating expenses	5,480	30,984	(25,504)
Bad debt expense	2,250	—	2,250
Debt service:			
Principal	270,000	270,000	—
Interest	317,300	317,300	—
Other nonoperating expenses	—	12,477	(12,477)
County Treasurer's collection fees	7,407	7,415	(8)
Bank payee fee	1,400	400	1,000
Capital outlay	545,101	178,806	366,295
Total Expenditures	\$ 3,457,259	2,828,281	\$ 628,978
Excess Of Revenues Over Expenditures		260,395	
Adjustments to GAAP basis			
Depreciation		(574,695)	
Bond principal payments		270,000	
Amortization of bond premium, net		33,527	
Amortization of deferred loss on bond refunding and discount		(32,489)	
Capital outlay		178,806	
Changes In Net Position Per Statement Of Revenues, Expenses And Changes In Net Position - GAAP Basis		\$ 135,544	

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.

**Heather Gardens Metropolitan District
Board Action
Date: April 21, 2022**

Motion: To approve the request to increase the CEO's discretionary spending authority for Operating Expenditures to \$20,000

Based on the recommendation of the Budget and Finance Committee, I move that the Heather Gardens Metropolitan District Board of Directors approve the request to increase the CEO's discretionary from the current \$10,000 limit to \$20,000.

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

Rationale/Notes: Approval of this motion will help expedite necessary purchases and expenditures that come before HGMD, which will lower the costs of doing business while helping to keep the current and future budgets within a reasonable range. It will also maintain the staff's workflow more effortlessly without having to experience delays caused by needing approval before acquiring supplies or authorizing a vital expenditure.