



**HEATHER GARDENS METROPOLITAN DISTRICT
AUDIT/FINANCE COMMITTEE
PROCEDURE MEMORANDUM 1**

**ADOPTED AND EFFECTIVE SEPTEMBER 21, 2023
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AUDIT/FINANCE COMMITTEE PROCEDURE MEMORANDUM 1

Revised on April 4, 2024.

Adopted by HGMD Board on September 21, 2023.

This Procedure Memorandum shall supersede all previous versions of the Procedure Memorandum and Functions and Policy Manuals for Board Administration, as well as all previous resolutions, actions and informal practices and policies of the District or portions thereof which may be in conflict with the provisions hereof.

ARTICLE I - PURPOSE

The purpose of the Audit/Finance Committee is to ensure the propriety and reasonableness of all public expenditures on behalf of the Heather Gardens Metropolitan District (District).

ARTICLE II - COMPOSITION

The Audit/Finance Committee shall be composed of the District Treasurer, the District's Manager (without vote), the Chief Financial Officer of the District's Manager, and a minimum of (4) four and a maximum of (9) nine eligible electors of the District. The Audit/Finance Committee Chair shall appoint the committee members consistent with the Bylaws, Article VII, Section 4.

1. Committee Chairperson. The District Treasurer serves as chair, and makes recommendations directly to the District Board of Directors.

A. The District Board has delegated to the District Treasurer the responsibility of executing approved expenditures on behalf of the District pursuant to Articles IX and X, herein.

~~A. investment transactions budgeted expenditures, and the payment of unbudgeted expenditures approved by the District Board. The Treasurer may approve the payment of certain reoccurring expenditures not to exceed a certain amount, including:~~

~~0) **Payroll:** Payroll is processed every two (2) weeks to pay the employees, taxes, garnishments, fees, and 401K.~~

~~0) **Tax Payments:** Use taxes and sales tax collected may be paid to the Colorado Department of Revenue as appropriate.~~

~~0) — **Employee mileage and other employee reimbursements:** A monthly mileage reimbursement is paid to employees. Employees who have purchased supplies or paid for work-related travel expenses will be reimbursed upon submission of required support.~~

~~0) **Lease:** Leases include (but are not limited to) the copier/printer, postage equipment, and fitness equipment.~~

~~0) **Utilities:** Examples include trash, internet, telephone, electricity, natural gas, and water.~~

~~0) — **Reimbursements:** Any person entitled to a reimbursement and who has Direct Deposit may be paid by an ACH.~~

H.B. In the absence of the District Treasurer, it is expected that the District President or Vice President or other members of the Board or the Audit/Finance Committee, as approved by the Board, will complete the duties of the District Treasurer.

I.C. The chair conducts all meetings of the Audit/Finance Committee and appoints all Audit/Finance Committee members from eligible electors of the District who have applied for membership. The chair also consults with residents, and interested parties regarding the District's finances. The chair reports to the Board.

2. Committee Duties and Responsibilities.

A. Annually reviews rules, regulations, policies, and procedures applicable to the Audit/Finance and recommends changes to the Board.

B. Annually reviews the Manager's Operating and Capital Reserve Budgets including fees and rate increases recommended by the appropriate committee, and recommends changes to the Board.

C. Assist committees as requested in the preparation of their annual budgets with the assistance and coordination with the District's Manager and staff.

D. Reviews the monthly profit & loss statements and monitors, and reports listed in Article VIII – Reports, in cooperation with the District's Manager.

E. Recommends to the District's Manager a Recreation Fee to be paid by HGA for the use of the District's properties which will balance the annual budget.

F. Reviews the monthly operating analysis prepared by Management, and proposes operational changes to the Board to improve the efficiency of the District while maintaining or improving the quantity and quality of services provided to the residents of Heather Gardens and its electors.

G. Analyze and make recommendations as appropriate to the Board regarding the District's business insurance programs, taking care to consider the significance of the District's insurance program noting the significant risks being insured against and costs to the District and our electors.

H. Prepare, update, and recommend the District's capital projects financing plans, including the review and recommendation of all unbudgeted capital projects over \$2,500, and budgeted capital projects over \$20,000. Capital projects under these amounts may be recommended to the Board by the Capital Project Chair.

I. Review the financial terms for new or renegotiated contracts within the timeframes available for the specific contract being considered. The District's Manager shall provide advanced notice of the required periods as much in advance as possible to allow for meaningful reviews by the Committee. The contract will be sent to the Compliance Committee for further review, and then submission to the Board. Examples of these contracts include a Professional Employee Organization (PEO), trash service, gas pricing and insurance. Given the nature and complexity of some of these contracts it may be necessary for either special meetings or study sessions to be called.

J. Conduct a monthly internal audit of all checks paid, ACH payments, EFT payments, petty cash, and internal controls, and prepare a report and send it to Management and the District Board.

K. Reviews the quarterly inventory reports for consistency with the capital projects and reports losses or retirement of assets to the District Board.

L. Oversees the annual external audits of the District's financial statements as required by law, and recommends the acceptance or rejection of the audit report to the District Board.

M. Reviews proposed donations using the following guidelines:

1) Reviews non-cash donations, with a value of \$500 or more, including, but not limited to, machinery, electronic equipment and large appliances and determines if they are suitable and appropriately intended for the benefit of the District and its Residents and Owners and makes recommendations to the Board regarding acceptance of donations.

2) Persons wishing to donate as described in paragraph (1) above must complete a donation form available at the Clubhouse reception desk.

Items under \$500 in value may be accepted or rejected at the discretion of the District's Manager, or appropriate department manager based on the need, condition or alignment of the facility functions or decor.

- 3) The Audit/Finance Committee, the District, or the District's Manager may require an inspection and approval by the HGA Maintenance Department, or another qualified professional, prior to accepting the donation.
- 4) The District will not accept donations with any restrictions or conditions, and all items donated become the property of the District.
- 5) The donating party agrees to pay the cost incurred for moving and delivery of the item to be donated.
- 6) The District reserves the right to refuse any item at any time during the donation process.
- 7) The District, in its sole discretion, has the prerogative of using the donated item immediately or may reserve it for the future.

N. Conduct other duties as requested by the District Board.

3. Ad Hoc Committees. The Audit/Finance Committee may create Ad Hoc Committees, as needed and with the approval of the Board, to perform its duties and advise the Committee and the District Board. When an Ad Hoc Committee is created, a chair will be named by the District Board. The chair shall determine the membership and duration of the Ad Hoc Committee. The Board can disband the Ad Hoc Committee at any time.

4. ~~Sub~~Special -Committees. The Audit/Finance Committee may create a ~~Sub~~Special Committee to do internal audits of District transactions or to concentrate on a specific area requiring specialized focus. The chair shall be appointed from applicants and ~~shall not~~may be a Director or non-Director. The chair shall determine the membership and duration of the ~~Ad Hoc~~Special Committee, although the Special Committee may be perpetual. The ~~Sub~~Special Committee shall consist of the Chair and 4 to 6 other eligible electors, who can be members of the Audit/Finance Committee.

ARTICLE III - RULES AND REGULATIONS

Article VI of the District's General Rules and Regulations regarding Enforcement, Violations, and Penalties is applicable to non-compliance with these Rules and Regulations. In addition, the District's General Rules and Regulations are applicable to all Residents, Owners, and Users of District Facilities and these Rules and Regulations are supplemental thereto.

ARTICLE IV - BUDGET PREPARATION PROCEDURES

1. Budget Initiation. Budget preparation begins with input from the Standing Committees, Department Managers, and District Manager. Committees and Department Managers should take care to include the desires of our residents and unit owners relative to programs and operations. They should also reflect the Board's and

Management's plans for increased operational efficiencies, and the impacts of inflation. Management is responsible for the preparation of the budget.

2. Budget Schedule. Each HGMD committee shall determine proposed changes to the upcoming annual budget for the area of their concern in July of each year, and submit their proposed changes to the Board by the end of July. The District Board shall meet with the District's Manager and the District Manager's Chief financial Officer in August of each year to review and request any changes to the Manager's Budget prior to the publishing of the Manger's Budget. These meetings shall be scheduled in coordination with the District Manager. Such schedule shall comply with Colorado laws that apply to the District.

3. Manager's Budget. Based on input from the District Standing Committees and Department Managers, the District's Manager prepares the District budget draft for Operations and Capital Projects and contributions to Capital Reserves.

- A.** The Manager's Budget shall contain revenues, expenditures, and asset accounts for the District's operation, maintenance, capital accounts, capital improvements, and capital reserves, only.
- B.** The Budget Summary shall contain sections for budget preparation assumptions, staff increases or decreases and the rationale, anticipated revenue increases or decreases and the rationale, and significant changes in user fees.
- C.** Each fund shall be accounted for separately, and restricted funds identified.
- D.** Each cost center should be separately accounted for including the clubhouse, garden plots, golf course, restaurant, and RV lot.
- E.** Each cost center will have an Expense Summary as well as separate summary for Wages/Benefits and Operating Expenses. Also, see prior budget submissions for further guidance as to expenditure codes needing additional detail.
- F.** Wages/Benefits for each cost center shall contain the number of employees by job title and the budgeted salary range or hourly rate per job title. The information provided must allow the District Board to analyze staffing levels, including:
 - 1) Number of full time staffing positions
 - 2) Number of hours for part-time staffing positions
 - 3) Number of part-time staffing positions
 - 4) Number of overtime hours

5) Number of hours for teachers and the amount paid

G. The budget will contain three separate years. The first column will contain the full details for the proposed year. The second column will contain the details for the current year as budgeted. The third column will contain the details for the percentage of change. The fourth column will contain the details for the current actual as forecasted. The fifth and sixth columns will contain the details of the percentage of change between the current year budget and forecast, and the percentage of change from the current year forecast and the proposed year budget. The final column will contain the details for the prior year audited, actual amounts.

H. The Manager's Budget will contain written justification for changes in cost center staffing including a current organization chart and descriptions of the key changes from the current year. This should cover not only increases in staffing but also possible reductions in staffing resulting from technology or changes in internal procedures which permit such reductions. Proposed staffing changes should be accompanied by a revised organization chart.

I. The Manager's Budget will include the status of the current year capital project completion with details on potential carryover projects and why they are not expected to be completed in the current year.

ARTICLE V - BUDGET REVIEW

- 1. Upon receipt of the Manager's Budget, the District will immediately publish the budget on the District's website. The Audit/Finance Committee will schedule meetings for public comment and review, and will endeavor to complete such meetings within 2 weeks subsequent to receipt and publication of the Manager's Budget.
- 2. At the completion of the public comment and review meetings, the Audit/Finance Committee shall submit its proposed budget to the District Board for adoption.
- 3. Any elector of the District may object to the proposed budget at any time prior to adoption of the budget. But in no case will the public comment period be less than 30 days prior to adoption of the budget.

ARTICLE VI - BUDGET ADOPTION

- 1. The District Board shall vote on the adoption of the proposed budget at a special meeting for that purpose noticed with at least 30 days prior notice.

ARTICLE VII - USER FEES & OTHER COSTS

- 1. The Audit/Finance Committee shall maintain a current list of all District user fees, rental rates, and other costs (User Fees) relevant to the District properties. Each

committee chair shall be responsible to submit a list of User Fees for its area of authority any time such fees are revised.

ARTICLE VIII - REPORTS

1. The Audit/Finance Committee monitors a broad range of budget-related information at its monthly meetings. The Committee and the District's Manager may suggest more abbreviated reviews for areas of less materiality or of little variance from the budget.

1.2. All reports shall conform to the statutory requirements of C.R.S. §29-1-114, accounting for the amount budgeted, the current amount spent, the year to date expenditures, any additional authorized expenditures, any transfers from one account to another, so that at all times the report shall show the unexpended balances.

2.3. The District's Manager shall provide the following monthly reports to the Audit/Finance Committee unless agreed otherwise:

- A. District Profit and Loss Statement
- B. District Balance Sheet
- C. District Capital Assigned Fund Report
- D. District Profit and Loss - Restricted Fund
- E. District Profit and Loss - Enterprise Fund
- F. District Budget Exceptions Report
- G. District Investment Listing
- H.** District Clubhouse Profit and Loss Report

H.1) District Class and Events Profit & Loss, including the revenue generated for each class or event, the amounts paid to teachers, speakers or performers, and other expenses attributable to the class or event.

- I. District Restaurant Profit and Loss Report
- J. District Golf Profit and Loss Report
- K. District Golf Usage Report
- L. District Conservation Trust Report
- M. District Foundation Fund Report
- N. District RV Lot Profit and Loss Report

- O. District Garden Plots Profit and Loss Report
- P. Any special reports requested by the committee
- Q. District Related Staffing Status Report, including each employee providing services to the District by identifying number, whether salaried or hourly, the amount of salary budgeted or the hourly rate budgeted, the amount paid, and the year to date percent of budget.
- R. Quarterly Work Completion Status Report

4. All reports shall be sent to the District Board, the Audit/Finance Committee members at least 6 days in advance of the Audit/Finance Committee's monthly meetings, if possible.

ARTICLE IX - OPERATING EXPENSES & REIMBURSEMENTS

1. Operating Expenses Definition. Operating expenses are noncapital expenses incurred on behalf and for the benefit of the District.

2. Budgeted Operating Expenses. The Treasurer has the following authority:

A. The Treasurer may initiate investment transactions approved by the Board; and

B. The Treasurer may initiate payment of budgeted expenditures with the appropriate substantiation, including a detailed accounting of the amount to be expended, the purpose of the expenditure, a contract, if any, invoice or proposal and with reference to the budget account number; and

C. The Treasurer may initiate payment of unbudgeted expenditures under the amount of \$2,500, with the appropriate substantiation, including the motion approving the expenditure, the contract, and the invoice, proposal or estimate; and

D. The Treasurer may initiate payment of unbudgeted expenditures of \$2,500 or more with the approval of the District Board, with the appropriate substantiation, including the motion approving the expenditure, the contract, and the invoice, proposal or estimate; and

E. The Treasurer may initiate reimbursement for expenditures made on behalf of the District with the appropriate substantiation, including a Reimbursement Request Form, including a detailed accounting of the amount expended, the purpose of the expenditure, a receipt, invoice or other documentation of the amount expended as may be approved by both the Treasurer and the District President. If either the Treasurer or District President is

unavailable, the reimbursement may be approved by the District Secretary so that two officers of the District approve the reimbursement.

F. The Treasurer may approve the payment of certain reoccurring expenditures, but shall designate such approval not to exceed a certain amount, including:

1) **Payroll:** Payroll is processed every two (2) weeks to pay the employees, benefits, taxes, garnishments, fees..

2) **Tax Payments:** Use taxes and sales tax collected may be paid to the Colorado Department of Revenue as appropriate.

3) **Leases:** Leases include (but are not limited to) the copier/printer, postage equipment, restaurant equipment, and fitness equipment.

4) **Utilities:** Examples include trash, internet, telephone, electricity, natural gas, and water.

3. **Reimbursements:** Any person entitled to a reimbursement and who has Direct Deposit may be paid by an ACH.

4. **Monthly Audits.** The Treasurer, with the assistance of the Audit/Finance Committee, shall conduct a monthly internal audit of all checks paid, ACH payments, EFT payments, petty cash, and internal controls, and prepare a report which shall be sent to the District Board and the District’s Manager.

5. **District Manager’s Spending Authority.** The District Manager may incur expenses under the amount of \$2,500, for budgeted or unbudgeted expenditures, with the appropriate substantiation, including a detailed accounting of the amount to be expended, the purpose of the expenditure, a contract, if any, invoice or proposal and with reference to the budget account number, if any.

6. **Contracts.** Any contract that binds or obligates the District or requires the expenditure of District funds must be signed by the District President and the District Secretary.

3-7.

Article IX–ARTICLE X - CAPITAL EXPENDITURES

1. Capital Expenditure Request Review. Capital Expenditure Requests will be reviewed by the Audit/Finance Committee to insure that the expenditure has been

budgeted or if unbudgeted, a review of the proposed reallocation of a budgeted capital project.

2. Uncompleted Capital Projects. Capital projects that are not expected to be completed during the year may be carried forward to the subsequent year.

3. Capital Project Initiation. Most capital expenditure requests will begin as a project in a committee or club responsible for the subject area. The project will be submitted to the District President who shall assign a contact person responsible for the project, (Project Chair), normally a committee chair, and will assign the Director responsible for the project.

4. Responsibilities of the Project Chair:

- A.** The Project Chair shall coordinate the development of a complete description of the project and the project's goal.
- B.** This description should be specific enough to develop project specifications for a Request for Proposal (RFP), obtain funding requirements, and include any further research the Project Chair wishes the committee or club to consider.
- C.** Upon approval of the project by the committee or club with a recommendation to submit the proposal to the District Board, the proposal shall be forwarded to the Director responsible for the project.

5. Responsibilities of the Responsible Director:

- A.** Upon receipt of the committee or club approved capital project request, the Director responsible for the project shall review the information submitted.
- B.** If the capital project is relatively straight forward and the request contains all of the information necessary to submit the request to the Board for approval, the Responsible Director shall ask the Audit/Finance Committee or the District Treasurer to complete the Capital Expenditure Advisory Form, and submit that form with the Capital Expenditure Request Form, and motion for approval to the Board President for inclusion on the agenda as a motion for approval for the next meeting of the District Board.
- C.** The motion for approval shall contain the following information:
 - 1) Capital Expenditure Request Form
 - 2) Request for Proposals, if completed
 - 3) All proposals received

4) Capital Expenditure Advisory Form from the Audit/Finance Committee or the District Treasurer

5) HGMD Standard Contract

D. The Responsible Director shall make the motion for approval of the capital project at the Board Meeting.

E. If the capital project request is complex or the request is not complete, the project shall be submitted to the District President with a request for assistance from the District's Manager.

6. Responsibilities of the District President:

A. The District President shall review the proposed capital project request for completeness. If the request is sufficient to bring before the Board, the request shall be placed on the agenda for the next Board meeting as a motion for approval.

B. If additional work is needed, the District President shall submit the capital project request to the District's Manager with a request for assistance to complete the project pursuant to the procedures outlined below.

7. Responsibilities of the District's Manager:

A. If the capital expenditure request is less than \$~~950,000~~:

- 1) Review or prepare a RFP with appropriate specifications for the complexity or expenditure amount of the project.
- 2) Obtain at least 3 proposals for the project. If less than 3 proposals are obtained, include an explanation.
- 3) Prepare the Capital Expenditure Request Form providing the justification for the project, copies of all proposals received, an HGMD Standard Contract, and a Capital Expenditure Advisory Form from the Audit/Finance Committee or the District Treasurer stating whether the project was budgeted or unbudgeted and the funding options.

B. If the capital expenditure request is more than \$~~5090,000~~:

- 1) Review or prepare a specific RFP including a detailed scope of work, general conditions, technical specifications, and bid requirements for the project.
- 2) Obtain at least 3 proposals for the project. If less than 3 proposals are obtained, include an explanation. All proposals shall be comparable with the same type and capability of equipment, same quantities, similar

accessories, similar configurations, similar specifications, etc. If proposals do not meet general comparability standards, provide an explanation for the reason for the differences.

- 3) Prepare specific specifications for the project including a detailed scope of work, general conditions, technical specifications, issues to be considered, a project timeline with specific milestones, and probable or potential contingencies.
- 4) The project timeline shall include all requirements to complete the project as stated in the scope of work, including site preparation, waste removal, complete installation including all contractor and subcontractor tasks, city permits, if required, technical implementation including software, personnel training, or ongoing support or maintenance costs.
- 5) All contractor, subcontractor, or product limitations shall be specifically stated.
- 6) The project timeline shall state who is responsible for oversight of specific tasks. The Project Chair shall oversee the project on behalf of the District with the assistance of the District President, if required.
- 7) The District's Manager shall notify the District President if it assigns staff to work directly with the Project Chair to oversee and monitor the capital project.
- 8) The longevity of the project shall be stated so that the capital project may be placed on the capital program spreadsheet for depreciation and replacement planning.
- 9) HGMD Extended Contract shall be reviewed by the District's Attorney.

C. If the capital expenditure request is more than \$120,000: When goods, projects, or services for HGMD are expected to cost \$120,000 or more the following additional requirements should be met:

- 1) Advertise in a local newspaper with wide distribution an invitation to prospective bidders that the District will be obtaining bids for goods, projects or services including a brief description. Interested bidders should be told who to contact for additional information, including the contact's name, address, and phone number on or before a specified date.
- 2) The advertisement shall include the date and time of the public opening of the bids.
- 3) The District's Attorney shall draft the required advertisement.

D. Emergency Expenditures: If the District's Manager determines that an emergency exists, it should determine the nature and extent of the emergency and the necessary repairs that must be made. Verbal approval for an emergency expenditure for a repair should be obtained from the District's President or Treasurer.

- 1) The District's Manager or delegated employee must complete the Capital Expenditure Request Form with a copy of the expenditure receipts to the District Board President.
- 2) The District President may schedule an emergency Board meeting to approve the expenditure or place the approval on the agenda for the next Board meeting.
- 3) The Capital Expenditure Request shall state the nature of the emergency as well as all steps taken to mitigate any damage and to repair or correct the problem.

~~Article X~~ - **ARTICLE XI - INVESTMENT PROCEDURES**

1. The process for making investments on behalf of the District involves several participants and steps. The following provides a brief summary of the process and is followed by more detailed descriptions of the responsibilities of those involved in the process. The investment procedure for the District is summarized as follows:
2. Assess the District's expected future cash flows to determine what funds are expected to be needed at what points in time.
3. The District may invest public funds in an authorized investment vehicle. C.R.S 24-75-601, et seq., subject to rating categories and maturity dates.
4. Determine appropriate investment vehicles that are consistent with the investment strategy, including:
 - A. United States Treasury obligations.
 - B. Certain United States Agency obligations.
 - C. Repurchase agreements collateralized by appropriate United States Treasury or Agency obligations.
 - D. Colorado Local Government investment pools; and,

5. Follow appropriate safekeeping, record-keeping, and reporting procedures.

5.6. Pursuant to C.R.S. §24-75-702 Local governments – authority to pool surplus funds, the District may invest money which is not immediately required to be disbursed, but may only pool such funds in a local government investment pool trust.

6.7. **Audit and Finance Committee Responsibilities:**

- A. Research and develop suggestions, conforming with policy, for a draft investment strategy for review and discussion with the Committee.
- B. Based on cash flow projections provided by the District's Manager, recommend specific investment vehicles that will help accomplish the objectives.
- C. Monitor investment performance and provide regular reports to the Committee.

7.8. **District's Manager's Responsibilities:**

- A. Prepare an annual cash flow projection for the District for each fund source using current balances and expected inflows/outflows and present to the Committee.
- B. Arrange movement of funds to the appropriate location/account for timely closings of investment transactions.
- C. Reconcile investment records received to accounting records and record income as realized, including amortization and/or accretion entries for any discounts or premiums.
- D. Consult with the auditor to determine the most appropriate means of completing the compliance review of the District investing activities with its policy.

8.9. **District Treasurer Responsibilities:**

- A. Present reports, recommendations, and other matters related to investing to the Board.
- B. With the assistance of the District's Manager, execute Board-approved purchases and/or sales of investments for the District. Keep accurate records of all completed transactions, Report such information to Management in settling the transactions.

9.10. **District Board of Directors' Responsibilities:**

- A. Review and approve the District's investment strategy as recommended by the Committee, and the investments suggested to meet the strategic objectives.

Article XI-ARTICLE XII - BANKING PROCEDURES

The volume of transactions conducted for the District in most months requires bank balances that may exceed the protection offered by the FDIC.

1. All District accounts must follow the requirements of the Public Deposit Protections Act (PDPA). Pursuant to C.R.S. §11-10.5-111 Public funds to be deposited only in eligible public depositories, the District's Manager shall transfer any funds it collects on behalf of the District into the District's Operating Account at least monthly.
2. Decisions as to changes in the District's banking arrangements and selection of banks are the responsibility of the Board of Directors, based upon recommendations of the Audit/Finance Committee.
3. The Audit/Finance Committee will make banking recommendations to the Board of Directors based upon information that contains, but is not limited to, the following criteria:
 - A. Strength of the bank as shown by its rating as set forth by the various bank rating services.
 - B. Service charges for such items as:
 - 1) ACH Fees.
 - 2) Internet availability of monthly bank statements and related items.
 - 3) Deposits and electronic checks.
 - 4) General Account Maintenance.
 - 5) Online Banking.
 - 6) Investment Services.
 - C. Account earnings allowance rate.
4. Management shall report any problems in dealings with the banks to the Audit/Finance Committee and the Board.
5. The Treasurer and Audit/Finance Committee will review the banking reconciliation statements.
6. Refer to District rules and regulations, policies, and procedure memorandum. At least annually a resolution shall be presented to the Board for approval naming all authorized signers on all bank accounts.

Article XII - ARTICLE XIII - ANNUAL EXTERNAL AUDIT PREPARATION**1. Management Responsibilities:**

- A.** Work with the contracted Audit Firm to establish the process and schedule for each annual audit.
- B.** Provide appropriate workspace for the Audit Firm's staff to do their on-site work on the audit.
- C.** In a timely manner, provide copies of all requested documents and respond to all questions.
- D.** Review the initial draft of the audit report in concert with the Audit Partner and Senior Manager to assure that all issues have been properly addressed and that changes requested by the Audit Firm make sense from the viewpoint of the District Manager's Chief Financial Officer, the District's Manager, and the District Treasurer.
- E.** Make all adjusting entries and other final entries to the year-end financials as requested by the Auditor; and
- F.** Facilitate the posting of the completed Audit report on the District website and make paper copies of the Audit report(s) for interested parties as requested.
- G.** In a timely manner, file the accepted Audit reports with the relevant State organizations.

2. Audit/Finance Committee Responsibilities:

- A.** In collaboration with District's Manager, oversee the conduct of the annual external Audit of the District financial statements for each fiscal year and recommend acceptance of the audit reports to the District Board of Directors, including the following:
 - 1) Monitor the status of the conduct of the District Audits.
 - 2) Receive and review the draft audit report and provide feedback to the auditors.
 - 3) Receive and review the parts of the Report on Governance, Internal Controls, Material Weaknesses Audit Management Letter that relate to financial policies and procedures and make appropriate recommendations for change to management and the Board (Note: Parts of the Management Letter that may result in a personnel action will be presented by the Auditor in Executive Session to the Board.); and

4) Make a recommendation to the Board as to acceptance of the annual audit reports.

B. An important responsibility of the Audit/Finance Committee is to evaluate the external auditor's performance. This is done to recommend to the Board the appointment, re-appointment, and if required, the replacement or removal of the auditor. The Audit/Finance committee should solicit the input of the District's Manager in performing this evaluation. The assessment should cover the professional competencies in conducting the audit and value-added recommendations made by the auditor and client service issues. This process should be formalized by the Audit/Finance Committee and conducted annually.

3. District Board of Directors Responsibilities:

A. Receive copies of the Audit report from the selected Audit Firm.

B. Based on recommendations from the Audit/Finance Committee, accepts the final Audit reports.

C. Receive copies of the Management Letter and act as appropriate on recommendations made by the Audit/Finance Committee and the Auditor; and

D. Assure that the accepted audit report is filed with the relevant State organizations and posted on the Heather Gardens Metropolitan District website for review by interested parties. A paper copy of the audit report will be made available to interested parties upon request.

E. To provide the external auditor the opportunity to communicate candidly with the Board and members of the Audit/Finance Committee.

~~Article XIII~~ ARTICLE XIV - BUDGETING & ACCOUNTING TERMS

The purpose of this article is to provide a glossary of terms and definitions as a means of enhancing understanding of the matters deliberated by the Audit/Finance Committee and minimizing misunderstanding in District's management activities. Some terms are specific to accounting for the District as a quasi-governmental entity which has requirements different from that of a private company or an homeowners association.

The following terms have specific definitions when discussing District budgeting and accounting:

1. Accrual Basis of Accounting. Accrual accounting is a financial accounting method that allows an enterprise to record revenue when earned rather than when received, and record expenses as they are incurred regardless of when they are paid.

2. Percentage of Completion. The percentage of completion method is used for long-term projects or contracts. Revenue, expenses and gross profit are recognized for each period based on the percentage of work completed or costs incurred.

- 3. Accrual Timing.** During the year, major expenses are accrued monthly. At year-end, all expenses for the year are accrued.
- 4. Depreciation and Accumulated Depreciation.** Many assets purchased by the District will be used for many years. Depreciation is a method of deducting the cost of an asset over the period of years that it will be used. Accumulated depreciation is the total amount of cost that has been deducted for an asset over its life.
- 5. Audit.** When used relative to the District, the annual external audit refers to the process of examining the District's financial statements (Profit and Loss Statement and the Balance Sheet) to determine if they are accurate and in accordance with any applicable rules (including accepted accounting standards), regulations, and laws. This audit is conducted by a certified public accounting firm hired by the District, and is filed with the state.
- 6. Balance Sheet.** A financial statement that summarizes the District's assets, liabilities, and equity at a specific date. The balance sheet is prepared monthly and annually by the District's Manager. The annual reports are published in the audited financial statements.
- 7. Capital Property.** Capital property is property that has a useful life of more than one year and a cost in excess of \$2,500.
- 8. Capital Project.** A capital project is a major repair, improvement or construction of capital property.
- 9. Capital Projects Financing Plan.** The capital projects financing plan is a thirty-year plan that is updated annually to project and plan for the costs of capital projects. The Plan should list all capital property for the District, the estimated life, and the cost of replacement. The Capital Projects Financing Plan will be based on these estimated needs and adjusted annually to provide sufficient funds for current needs and to accumulate funds for future estimated needs while maintaining a stable annual assessment rate.
- 10. Capital Project Expenditure.** A cost incurred to acquire capital property. (See Capital Property and Capital Project above) or a reconditioning or major overhaul that will extend the useful life of an item beyond the original estimated life is considered a capital project expenditure or capital reserve expenditure. Obsolescence can be a factor limiting the useful life of the item.
- 11. Capital Reserve Fund.** The District uses this fund to accumulate money to be used for the acquisition of capital property through purchase, construction, or significant maintenance or improvement of capital property.
- 12. Carry Forward Appropriation.** Money that is not spent in the prior accounting period is carried forward to the next accounting period. This is usually in reference to capital project expenditures.

- 13. Conservation Trust Fund.** The District uses this fund to account for money obtained from the Colorado State Lottery to be used for park and/or recreational improvements.
- 14. Cost Principal.** The District's policy of accounting for assets at their acquisition cost.
- 15. Debt Service Fund.** The District uses this fund to account for funds that come from a property tax mill levy and used for the payment of bonds, long-term debts, principal, interest, and related costs as authorized by the District electors.
- 16. Enterprise Fund.** An enterprise is a business run by a government entity providing goods or services to the general public. Examples for the District are the restaurant, golf course, clubhouse, RV lot and garden plots. For HGMD, the enterprise fund is the general operating fund. Other money must be kept separate. See the Debt Service Fund, Conservation Trust Fund, and Foundation Fund definitions.
- 17. Heather Gardens Foundation Fund.** The District uses this fund to account for the receipt and expenditure of donations from individuals and/or trusts for the improvement of Heather Gardens landscaping and outdoor enjoyment.
- 18. Inventory.** Supplies and goods on hand and available for use and sale by the District. Inventory also refers to all personal property owned by the District, furniture, equipment, appliances, tools, etc.
- 19. Monthly Operating Analysis (MOA).** A analysis of the variance between actual revenue and expenses compared to the budgeted revenue and expenses for the District.
- 20. Operating Budget.** An annual plan for revenue and expenditures for the District operation. The operating budget is adopted by the District Board each fall for the upcoming year. The operating budget determines the anticipated Recreation Fee that will be required for the upcoming year. This budget applies to the day-to-day operations of the organization and the purchase of non-capital property.
- 21. Pooled Cash and Interest.** Management and District each follow the practice of pooling cash and investments to maximize interest earnings. District funds, as well as all capital program funds, are recorded separately. All District cash, except when required by a trust or other agreements, is deposited to, and disbursed from a single bank account.

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

HEATHER GARDENS METROPOLITAN DISTRICT

**PM
AUDIT-1**

Adopted the _____ day of _____, ~~2023~~2024, by the Board of Directors of the Heather Gardens Metropolitan District.

Daniel Taylor, President

Robin O'Meara, Secretary

**HEATHER GARDENS METROPOLITAN DISTRICT
ACH PAYMENT AUTHORIZATION FORM**

Date: _____

Vendor: _____

Amount: _____

Account Code: _____

Payment Start Date: _____ Payment End Date: _____

Payment Frequency: _____

Other Conditions: _____

Description of Goods or Service: _____

HGMD Approval:

HGMD Treasurer Approval: _____ Date: _____

HGMD President Approval: _____ Date: _____

**HEATHER GARDENS METROPOLITAN DISTRICT
DISPERSEMENT AUTHORIZATION & REQUEST FORM**

Date: _____

Payee: _____

Amount: _____

Due Date: _____

Purpose/Account: _____

Description of Goods or Service: _____

HGMD Approval:

HGMD Treasurer Approval: _____ Date: _____

HGMD President Approval: _____ Date: _____

Date Paid: _____ Check No. _____ By: _____

Date Paid: _____ ACH _____ By: _____

**HEATHER GARDENS METROPOLITAN DISTRICT
CAPITAL EXPENDITURE REQUEST FORM**

Project: _____

Cost Center: _____ Date: _____

Budget	Budget Amount: _____	Contract Amount: _____	
Year: _____		Change Order Reserve: _____	
Tab: _____	Expended YTD: _____	Total Project Cost: _____	
Pg: _____	Unexp. Balance: _____	Add. Funds Request: _____	

DESCRIPTION:

JUSTIFICATION:

BID COMPARISON:

RECOMMENDATION:

PROJECT MANAGER: _____

PROJECT TIMELINE: Please list the components of the project and the start and finish dates:

- | | | | |
|----|-------|--------------|---------------|
| 1. | _____ | Start: _____ | Finish: _____ |
| 2. | _____ | Start: _____ | Finish: _____ |
| 3. | _____ | Start: _____ | Finish: _____ |
| 4. | _____ | Start: _____ | Finish: _____ |

PROJECT MANAGER: _____

PROJECT TIMELINE: Please list the components of the project and the start and finish dates:

- | | | |
|----------|--------------|---------------|
| 1. _____ | Start: _____ | Finish: _____ |
| 2. _____ | Start: _____ | Finish: _____ |
| 3. _____ | Start: _____ | Finish: _____ |
| 4. _____ | Start: _____ | Finish: _____ |

PROJECT MANAGER: _____

PROJECT TIMELINE: Please list the components of the project and the start and finish dates:

- | | | |
|----------|--------------|---------------|
| 1. _____ | Start: _____ | Finish: _____ |
| 2. _____ | Start: _____ | Finish: _____ |
| 3. _____ | Start: _____ | Finish: _____ |
| 4. _____ | Start: _____ | Finish: _____ |

PROJECT MANAGER: _____

PROJECT TIMELINE: Please list the components of the project and the start and finish dates:

- | | | |
|----------|--------------|---------------|
| 1. _____ | Start: _____ | Finish: _____ |
| 2. _____ | Start: _____ | Finish: _____ |
| 3. _____ | Start: _____ | Finish: _____ |
| 4. _____ | Start: _____ | Finish: _____ |

Notes: _____

Manager or Dept Head	Committee Chair	HGMD Treasurer	HGMD President	HGMD Board Approval
<input type="checkbox"/> Concur <input type="checkbox"/> Non-Concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-Concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-Concur	<input type="checkbox"/> Concur <input type="checkbox"/> Non-Concur	Date: _____ Motion #: _____

**HEATHER GARDENS METROPOLITAN DISTRICT
CAPITAL EXPENDITURE ADVISORY**

Project: _____

Cost Center: _____ Date: _____

Budget	Budget Amount: _____	Contract Amount: _____	
Year: _____		Change Order Reserve: _____	
Tab: _____	Expended YTD: _____	Total Project Cost: _____	
Pg: _____	Unexp. Balance: _____	Add. Funds Request: _____	

AUDIT/FINANCE REVIEW:

- This expenditure has been recommended by the _____ Committee.
- This expenditure was planned and budgeted in the Capital Projects Financing Plan. If not, explain why the project is being untaken at this time. _____

- Three bids were evaluated and the attached proposal is recommended as the most beneficial to the District. If not, explain why _____
- This project is at or below the budgeted amount.
- No additional money will be required to complete the project. If yes, explain why _____
- All required signatures have been obtained. If not, explain _____

NOTES/EXPLANATION:

Date

Audit/Finance Committee Chair