

SHERIDAN STATION WEST METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditors' Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	19
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Projects Fund	20
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	21

Independent Auditors' Report

Board of Directors
Sheridan Station West Metropolitan District
Jefferson County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Sheridan Station West 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 respective financial position of the governmental activities and each major fund of Sheridan Station West Metropolitan District as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Simmons & Wheeler P.C.

Englewood, CO
September 1, 2022

SHERIDAN STATION WEST METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 19,153	\$ -	\$ -	\$ 19,153	\$ -	\$ 19,153
Cash and investments - restricted	8,898	481,614	41,617	532,129	-	532,129
Receivable - County Treasurer	363	731	-	1,094	-	1,094
Property taxes receivable	110,682	222,484	-	333,166	-	333,166
Accounts receivable - operating fees	23,032	-	-	23,032	-	23,032
Prepaid expenses	3,258	-	-	3,258	-	3,258
Capital assets not being depreciated	-	-	-	-	2,646,440	2,646,440
Total Assets	<u>\$ 165,386</u>	<u>\$ 704,829</u>	<u>\$ 41,617</u>	<u>\$ 911,832</u>	<u>2,646,440</u>	<u>3,558,272</u>
LIABILITIES						
Accounts payable	\$ 18,201	\$ -	\$ 41,617	\$ 59,818	-	59,818
Accrued interest on bonds	-	-	-	-	18,125	18,125
Long-term liabilities:						
Due within one year	-	-	-	-	35,000	35,000
Due in more than one year	-	-	-	-	4,242,458	4,242,458
Total Liabilities	<u>18,201</u>	<u>-</u>	<u>41,617</u>	<u>59,818</u>	<u>4,295,583</u>	<u>4,355,401</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>110,682</u>	<u>222,484</u>	<u>-</u>	<u>333,166</u>	<u>-</u>	<u>333,166</u>
Total Deferred Inflows of Resources	<u>110,682</u>	<u>222,484</u>	<u>-</u>	<u>333,166</u>	<u>-</u>	<u>333,166</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	3,258	-	-	3,258	(3,258)	-
Restricted:						
Emergencies	8,898	-	-	8,898	(8,898)	-
Debt service	-	482,345	-	482,345	(482,345)	-
Unassigned	<u>24,347</u>	<u>-</u>	<u>-</u>	<u>24,347</u>	<u>(24,347)</u>	<u>-</u>
Total Fund Balances	<u>36,503</u>	<u>482,345</u>	<u>-</u>	<u>518,848</u>	<u>(518,848)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 165,386</u>	<u>\$ 704,829</u>	<u>\$ 41,617</u>	<u>\$ 911,832</u>		
Net Position:						
Restricted for:						
Emergencies					8,898	8,898
Debt service					464,220	464,220
Unrestricted					<u>(1,603,413)</u>	<u>(1,603,413)</u>
Total Net Position					<u>\$(1,130,295)</u>	<u>\$(1,130,295)</u>

The notes to the financial statements are an integral part of these statements.

SHERIDAN STATION WEST METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting	\$ 15,498	\$ -	\$ -	\$ 15,498	\$ -	\$ 15,498
Audit	4,300	-	-	4,300	-	4,300
Covenant control	11,375	-	-	11,375	-	11,375
Insurance	3,252	-	-	3,252	-	3,252
Legal	23,559	-	-	23,559	-	23,559
Management fees	29,134	-	-	29,134	-	29,134
Miscellaneous expenses	8,305	-	-	8,305	-	8,305
Treasurer's fees	1,139	2,289	-	3,428	-	3,428
Utilities	45,524	-	-	45,524	-	45,524
Snow removal	43,757	-	-	43,757	-	43,757
Billing and meter reading	13,037	-	-	13,037	-	13,037
Landscape maintenance/enhancements	21,367	-	-	21,367	-	21,367
Repair and maintenance	5,806	-	-	5,806	-	5,806
Interest Expense	-	217,500	-	217,500	38,711	256,211
Paying agent fees	-	3,555	-	3,555	-	3,555
Capital improvements	-	-	41,617	41,617	(41,617)	-
Total Expenditures	<u>226,053</u>	<u>223,344</u>	<u>41,617</u>	<u>491,014</u>	<u>(2,906)</u>	<u>488,108</u>
PROGRAM REVENUES						
Operations and maintenance fees	66,855	-	-	66,855	-	66,855
Metered services - water	50,659	-	-	50,659	-	50,659
Other billings and fees	16,134	-	-	16,134	-	16,134
Total Program Revenues	<u>133,648</u>	<u>-</u>	<u>-</u>	<u>133,648</u>	<u>-</u>	<u>133,648</u>
Net Program Income (Expenses)	(92,405)	(223,344)	(41,617)	(357,366)	2,906	(354,460)
GENERAL REVENUES						
Property taxes	75,896	152,578	-	228,474	-	228,474
Specific ownership taxes	5,830	11,718	-	17,548	-	17,548
Interest income	58	263	-	321	-	321
Total General Revenues	<u>81,784</u>	<u>164,559</u>	<u>-</u>	<u>246,343</u>	<u>-</u>	<u>246,343</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,621)	(58,785)	(41,617)	(111,023)	2,906	(108,117)
OTHER FINANCING SOURCES (USES)						
Developer advances	75,860	-	-	75,860	(75,860)	-
Transfers in	-	6,356	23,363	29,719	(29,719)	-
Transfers out	(29,719)	-	-	(29,719)	29,719	-
Total Other Financing Sources (Uses)	<u>46,141</u>	<u>6,356</u>	<u>23,363</u>	<u>75,860</u>	<u>(75,860)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	35,520	(52,429)	(18,254)	(35,163)	35,163	
CHANGE IN NET POSITION					(108,117)	(108,117)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	983	534,774	18,254	554,011	(1,576,189)	(1,022,178)
END OF YEAR	<u>\$ 36,503</u>	<u>\$ 482,345</u>	<u>\$ -</u>	<u>\$ 518,848</u>	<u>\$ (1,649,143)</u>	<u>\$ (1,130,295)</u>

The notes to the financial statements are an integral part of these statements.

SHERIDAN STATION WEST METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 76,195	\$ 76,195	\$ 75,896	\$ (299)
Specific ownership taxes	4,572	4,572	5,830	1,258
Interest income	-	-	58	58
Operations and maintenance fees	40,000	61,000	66,855	5,855
Metered services - water	39,000	51,000	50,659	(341)
Other billings and fees	-	<u>10,000</u>	<u>16,134</u>	<u>6,134</u>
Total Revenues	<u>159,767</u>	<u>202,767</u>	<u>215,432</u>	<u>12,665</u>
EXPENDITURES				
Accounting	9,000	9,000	15,498	(6,498)
Audit	7,500	4,300	4,300	-
Covenant control	13,200	11,400	11,375	25
Insurance	4,600	3,500	3,252	248
Legal	15,000	17,107	23,559	(6,452)
Management fees	12,000	29,000	29,134	(134)
Miscellaneous expenses	1,000	8,300	8,305	(5)
Treasurer's fees	1,143	1,200	1,139	61
Utilities	44,000	46,000	45,524	476
Snow removal	35,000	44,000	43,757	243
Billing and meter reading	10,000	13,000	13,037	(37)
Landscape maintenance/enhancements	16,000	21,500	21,367	133
Repair and maintenance	4,000	6,000	5,806	194
Contingency	10,000	-	-	-
Emergency reserve	<u>5,693</u>	<u>5,693</u>	<u>-</u>	<u>5,693</u>
Total Expenditures	<u>188,136</u>	<u>220,000</u>	<u>226,053</u>	<u>(6,053)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(28,369)	(17,233)	(10,621)	6,612
OTHER FINANCING SOURCES (USES)				
Developer advances	30,000	46,250	75,860	29,610
Transfers out	-	<u>(30,000)</u>	<u>(29,719)</u>	<u>281</u>
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>16,250</u>	<u>46,141</u>	<u>29,891</u>
NET CHANGE IN FUND BALANCE	1,631	(983)	35,520	36,503
FUND BALANCE:				
BEGINNING OF YEAR	<u>6,108</u>	<u>983</u>	<u>983</u>	<u>-</u>
END OF YEAR	<u>\$ 7,739</u>	<u>\$ -</u>	<u>\$ 36,503</u>	<u>\$ 36,503</u>

The notes to the financial statements are an integral part of these statements.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Sheridan Station West Metropolitan District, (the “District”), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 6, 2016, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to “finance and construct certain public infrastructure improvements that benefit the citizens of the District”. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

On December 10, 2021, the District amended its total appropriations in the General Fund from \$188,136 to \$250,000 primarily due to higher legal, accounting, and management expenses and in the Capital Projects Fund from \$0 to \$20,000 primarily due to unexpected capital improvement costs.

Total expenditures in the District's General and Capital Projects Funds exceeded appropriations by \$5,772 and \$21,617, respectively, which may be a violation of State Budget Law. The District's counsel has advised that a board meeting is being scheduled at which time the District's total appropriations in the General Fund will be amended from \$250,000 to \$256,000 and the Capital Projects Fund will be amended from \$20,000 to \$42,000.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

Sheridan Station West Metropolitan District

Notes to Financial Statements December 31, 2021

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

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Sheridan Station West Metropolitan District

Notes to Financial Statements December 31, 2021

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2021.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

The nonspendable fund balance in the General Fund in the amount of \$3,258 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$8,898 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$482,345 is restricted for the payment of the debt service costs associated with the General Obligation Bonds Series 2017 (see Note 4).

Committed Fund Balance

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

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2021, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 19,153
Cash and investments - Restricted	<u>532,129</u>
Total	<u>\$ 551,282</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 54,668
Investments - COLOTRUST	<u>496,614</u>
	<u>\$ 551,282</u>

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Sheridan Station West Metropolitan District

Notes to Financial Statements December 31, 2021

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

As of December 31, 2021, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2021, the District had \$496,614 invested in COLOTRUST Plus+.

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

Governmental Type Activities:	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 2,604,823	\$ 41,617	\$ -	\$ 2,646,440
Total capital assets	\$ 2,604,823	\$ 41,617	\$ -	\$ 2,646,440

Upon completion and acceptance, most of the fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance of capital assets conveyed to other entities.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2021, is as follows:

General Obligation Limited Tax (Convertible to Unlimited Tax) Bonds, Series 2017 - On November 9, 2017 the District issued \$3,625,000 of General Obligation Limited Tax Bonds, Series 2017, (the "Series 2017 Bonds"), dated November 2, 2017. The Series 2017 Bonds will be used for the purposes of: (a) funding and reimbursing the costs of the public improvements for the District; (b) funding the initial interest to accrue on the Series 2017 Bonds; (c) funding a debt service reserve for the Series 2017 Bonds; (d) partially funding a surplus fund for the Series 2017 Bonds; and (e) paying the costs of issuing the Series 2017 Bonds. The Series 2017 Bonds mature December 1, 2047 and bear interest at 6.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2018.

The Series 2017 Bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2022, and on each December 1 thereafter prior to maturity, upon payment of par and accrued interest, without redemption premium.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

The Series 2017 Bonds are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000 on December 1, 2022, and any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

Redemption Date	Redemption Premium
December 1, 2022 to November 30, 2023	3.00%
December 1, 2023 to November 30, 2024	2.00%
December 1, 2024 to November 30, 2025	1.00%
December 1, 2025, and thereafter	0.00%

The Series 2017 Bonds are secured by and payable from the pledged revenue, consisting of the moneys derived from a required mill levy not to exceed 50.000 mills (adjusted for changes occurring after the issuance of such bonds in the ratio of assessed values to market values), and any other legally available moneys of the District credited to the Bond Fund.

The Series 2017 Bonds are also secured by amounts held by the Trustee in the reserve fund of \$155,000 and, amounts accumulated in the surplus fund to a maximum amount of \$543,750. The Reserve Fund shall be maintained by the Trustee until the bonds are matured and the Surplus Fund . The Series 2017 Bonds will convert to unlimited tax general obligations and the Surplus Fund shall be terminated when the Debt to Assessed Ratio is less than 50%.

The following is a summary of the annual long-term debt principal and interest requirements.

	Principal	Interest	Total
2022	35,000	217,500	252,500
2023	35,000	215,400	250,400
2024	45,000	213,300	258,300
2025	45,000	210,600	255,600
2026	55,000	207,900	262,900
2027 - 2031	360,000	983,700	1,343,700
2031 - 2036	565,000	853,200	1,418,200
2037 - 2041	830,000	653,400	1,483,400
2042 - 2046	1,205,000	362,400	1,567,400
2047	450,000	27,000	477,000
	\$ 3,625,000	\$ 3,944,400	\$ 7,569,400

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

The following is an analysis of changes in long-term debt for the period ending December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
General Obligation Bonds					
General Obligation Bonds - Series 2017	\$ 3,625,000	\$ -	\$ -	\$ 3,625,000	\$ 35,000
Total General Obligation Bonds	3,625,000	-	-	3,625,000	35,000
Other - Developer Advances					
Developer advances - Operations	172,502	75,860	-	248,362	-
Accrued interest - Operations	24,048	16,140	-	40,188	-
Developer advances - Capital Projects	282,133	-	-	282,133	-
Accrued interest - Capital Projects	59,204	22,571	-	81,775	-
Total Other - Developer Advances	537,887	114,571	-	652,458	-
Total	\$ 4,162,887	\$ 114,571	\$ -	\$ 4,277,458	\$ 35,000

Debt Authorization

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$76,125,000. The District has not budgeted to issue any new debt during 2022. Per the District’s Service Plan, the District cannot issue debt in excess of \$7,250,000.

Note 5: Agreements

Facilities Funding and Acquisition Agreement dated December 8, 2016, and effective November 11, 2016. On December 8, 2016, effective November 11, 2016, the District entered into a Facilities Funding and Acquisition Agreement (“FFAA”) with Sheridan Station Transit Village, LLC (“the Developer”). The Developer has agreed to advance funds to the District to design, construct and complete the infrastructure improvements within the District outlined in the Service Plan. In lieu of advancing funds to the District, the Developer may complete such improvements subject to future acceptance and acquisition by the District. On November 14, 2019 (effective November 11, 2016), the District entered into the First Amendment to Facilities Funding and Acquisition Agreement whereby the advance amount was increased to \$1,400,000 and the time period was adjusted to the fiscal years 2016 through 2020. Any advances made under the FFAA will earn interest at 8% per annum. The obligation of the District to reimburse the Developer under the FFAA expires on December 31, 2050. As of December 31, 2021, the principal outstanding is \$282,133 and the accrued interest is \$81,775.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

Operation Funding Agreement dated December 8, 2016, and effective November 11, 2016. On December 8, 2016 (effective November 11, 2016), the District entered into the Operation Funding Agreement (“OFA”) with the Developer, whereby the Developer agreed to advance up to \$50,000 to the District for operations and maintenance expenses incurred in fiscal years 2016 and 2017. On November 14, 2019 (effective November 11, 2016), the District entered into the First Amendment to Operation Funding Agreement whereby the advance amount was increased to \$170,000 and the time period was adjusted to the fiscal years 2016 through 2020. Such advances will accrue simple interest from the date of deposit into the District’s account at the rate of 8% per annum. The District agreed to reimburse the Developer for amounts advanced under the OFA, subject to annual budget and appropriation. The obligation of the District to reimburse the Developer under the OFA expires on December 31, 2051. As of December 31, 2021, the Developer has advanced the District \$248,362 and accrued interest was \$40,188.

Imposition of District Fees for Operations and Maintenance. On August 24, 2018, the District imposed Operations and Maintenance Fees, (the “Fees”), on its inhabitants and taxpayers within the District to help provide operation, maintenance and construction of facilities pursuant to the Service Plan, as well as design, review and covenant enforcement services. The fee imposed prior to December 2021 was \$31.60 per month per resident and taxpayer and in December 2021 the fee was increased to \$50.00 per month per resident and taxpayer. In 2021, the District collected \$66,855 in fees.

Impositions of Potable Water Fees. On August 24, 2018, the District imposed Potable Water Fees, (“Water Fees”). The District is authorized, per the Service Plan, to provide water services to the residential units within the District. The Water Fees are set as the then-current rate set by Consolidated Mutual Water Company, the service provider, and are subject to change. In 2021, the District collected \$50,659 in fees.

Note 6: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

Note 7: Intergovernmental Agreements

Intergovernmental Inclusion, Service and Construction Agreement. On June 20, 2017, the District, East Lakewood Sanitation District (“ELSD”) and Sheridan Station Transit Village LLC (“SSTV”) entered into an Intergovernmental Inclusion, Service and Construction Agreement (“Service IGA”). Under the Service IGA, certain properties within the District will be included in ELSD’s service area, and SSTV will reimburse ELSD for the costs associated with including such properties within ELSD’s service area, up to \$10,000. Either the District or SSTV will construct sanitation improvements pursuant to the FFAA (see Note 5) and will transfer the sanitation improvements to ELSD upon approval and acceptance. ELSD will operate and maintain the sanitation improvements to provide sanitation services to those properties in the District that are within ELSD’s service area.

Note 8: Tax, Spending and Debt Limitations

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

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

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

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.

On November 8, 2016, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

Note 9: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2021

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

Note 11: Subsequent Events

On March 22, 2022, the District issued the Limited Tax (Convertible to Unlimited Tax) General Obligation Taxable (Convertible to Tax-Exempt) Refunding Loan, Series 2022A-1 (“Series 2022A-1 Loan”) in the principal amount of \$3,580,000 and the Limited Tax (Convertible to Unlimited Tax) General Obligation Loan Series 2022A-2 (“Series 2022A-2 Loan”) in the principal amount of \$650,000. The proceeds from the Series 2022A-1 Loan were used to refund the Series 2017 Bonds and the proceeds from the Series 2022A-2 Loan were used to fund a project fund for the purpose of funding and reimbursing a portion of the costs of acquiring, constructing and installing certain public improvements.

SUPPLEMENTAL INFORMATION

SHERIDAN STATION WEST METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2021

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 153,161	\$ 152,578	\$ (583)
Specific ownership taxes	7,500	11,718	4,218
Interest income	<u>2,500</u>	<u>263</u>	<u>(2,237)</u>
Total Revenues	<u>163,161</u>	<u>164,559</u>	<u>1,398</u>
EXPENDITURES			
Interest Expense	217,500	217,500	-
Paying agent fees	4,000	3,555	445
Treasurer's fees	<u>2,297</u>	<u>2,289</u>	<u>8</u>
Total Expenditures	<u>223,797</u>	<u>223,344</u>	<u>453</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(60,636)	(58,785)	1,851
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>6,356</u>	<u>6,356</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,356</u>	<u>6,356</u>
NET CHANGE IN FUND BALANCE	(60,636)	(52,429)	8,207
FUND BALANCE:			
BEGINNING OF YEAR	<u>536,112</u>	<u>534,774</u>	<u>(1,338)</u>
END OF YEAR	<u>\$ 475,476</u>	<u>\$ 482,345</u>	<u>\$ 6,869</u>

The notes to the financial statements are an integral part of these statements.

SHERIDAN STATION WEST METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Budget</u>		
REVENUES				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Capital improvements	<u>-</u>	<u>20,000</u>	<u>41,617</u>	<u>(21,617)</u>
Total Expenditures	<u>-</u>	<u>20,000</u>	<u>41,617</u>	<u>(21,617)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(20,000)	(41,617)	(21,617)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>1,746</u>	<u>23,363</u>	<u>21,617</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,746</u>	<u>23,363</u>	<u>21,617</u>
NET CHANGE IN FUND BALANCE	-	(18,254)	(18,254)	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>18,254</u>	<u>18,254</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

SHERIDAN STATION WEST METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2021

(Unaudited)

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2017	\$ 147,971	60.000	0.000	\$ 8,878	\$ 8,878	100.00%
2018	\$ 139,057	22.000	44.222	\$ 9,208	\$ 10,108	109.78%
2019	\$ 938,862	22.000	44.222	\$ 62,172	\$ 62,173	100.00%
2020	\$ 2,828,389	22.154	44.532	\$ 188,614	\$ 188,615	100.00%
2021	\$ 3,439,343	22.154	44.532	\$ 229,356	\$ 228,474	99.62%
Estimated for year ending December 31, 2022	\$ 4,996,041	22.154	44.532	\$ 333,166		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.