

SHERIDAN STATION WEST METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2018

with

Independent Auditors' Report

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sheridan Station West Metropolitan District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sheridan Station West Metropolitan District as of December 31, 2018, 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.

Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sheridan Station West Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Simmons & Whelan P.C.

Englewood, CO
July 30, 2019

SHERIDAN STATION WEST METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2018

	<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	\$ 2,206	\$ -	\$ 3,756	\$ 5,962	\$ -	\$ 5,962
Cash and investments - restricted	3,369	780,237	774,785	1,558,391	-	1,558,391
Receivable - County Treasurer	28	58	-	86	-	86
Property taxes receivable	20,654	41,518	-	62,172	-	62,172
Accounts receivable - operating fees	3,156	-	-	3,156	-	3,156
Prepaid expenses	2,980	-	-	2,980	-	2,980
Capital assets not being depreciated	-	-	-	-	1,805,357	1,805,357
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 32,393</u>	<u>\$ 821,813</u>	<u>\$ 778,541</u>	<u>\$ 1,632,747</u>	<u>1,805,357</u>	<u>3,438,104</u>
LIABILITIES						
Accounts payable	\$ 3,733	\$ -	\$ 1,670	\$ 5,403	-	5,403
Accrued interest on bonds	-	-	-	-	18,125	18,125
Long-term liabilities:						
Due in more than one year	-	-	-	-	3,938,101	3,938,101
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,733</u>	<u>-</u>	<u>1,670</u>	<u>5,403</u>	<u>3,956,226</u>	<u>3,961,629</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>20,654</u>	<u>41,518</u>	<u>-</u>	<u>62,172</u>	<u>-</u>	<u>62,172</u>
Total Deferred Inflows of Resources	<u>20,654</u>	<u>41,518</u>	<u>-</u>	<u>62,172</u>	<u>-</u>	<u>62,172</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	2,980	-	-	2,980	(2,980)	-
Restricted:						
Emergencies	3,369	-	-	3,369	(3,369)	-
Debt service	-	780,295	-	780,295	(780,295)	-
Capital projects	-	-	776,871	776,871	(776,871)	-
Unassigned	1,657	-	-	1,657	(1,657)	-
	<u>1,657</u>	<u>-</u>	<u>-</u>	<u>1,657</u>	<u>(1,657)</u>	<u>-</u>
Total Fund Balances	<u>8,006</u>	<u>780,295</u>	<u>776,871</u>	<u>1,565,172</u>	<u>(1,565,172)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 32,393</u>	<u>\$ 821,813</u>	<u>\$ 778,541</u>	<u>\$ 1,632,747</u>		
Net Position:						
Restricted for:						
Emergencies					3,369	3,369
Debt service					762,170	762,170
Capital projects					776,871	776,871
Unrestricted					<u>(2,128,107)</u>	<u>(2,128,107)</u>
Total Net Position					<u>\$ (585,697)</u>	<u>\$ (585,697)</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, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 14,930	\$ -	\$ -	\$ 14,930	\$ -	\$ 14,930
Covenant control	4,550	-	-	4,550	-	4,550
Insurance	3,095	-	-	3,095	-	3,095
Election expense	980	-	-	980	-	980
Legal	9,521	-	14,621	24,142	-	24,142
Management fees	6,834	-	10,250	17,084	-	17,084
Miscellaneous expenses	1,687	499	436	2,622	-	2,622
Treasurer's fees	50	101	-	151	-	151
Utilities	1,612	-	-	1,612	-	1,612
Snow removal	842	-	-	842	-	842
Interest Expense	-	230,792	-	230,792	19,318	250,110
Paying agent fees	-	3,500	-	3,500	-	3,500
Capital improvements	-	-	1,228,442	1,228,442	(1,228,442)	-
Repay developer advances	-	-	1,084,978	1,084,978	(1,084,978)	-
Total Expenditures	<u>44,101</u>	<u>234,892</u>	<u>2,338,727</u>	<u>2,617,720</u>	<u>(2,294,102)</u>	<u>323,618</u>
PROGRAM REVENUES						
Homeowner assessments	<u>6,433</u>	<u>-</u>	<u>-</u>	<u>6,433</u>	<u>-</u>	<u>6,433</u>
Total Program Revenues	<u>6,433</u>	<u>-</u>	<u>-</u>	<u>6,433</u>	<u>-</u>	<u>6,433</u>
Net Program Income (Expenses)	(37,668)	(234,892)	(2,338,727)	(2,611,287)	2,294,102	(317,185)
GENERAL REVENUES						
Property taxes	3,358	6,750	-	10,108	-	10,108
Specific ownership taxes	311	625	-	936	-	936
Interest income	-	18,922	19,141	38,063	-	38,063
Miscellaneous income	<u>372</u>	<u>-</u>	<u>-</u>	<u>372</u>	<u>-</u>	<u>372</u>
Total General Revenues	<u>4,041</u>	<u>26,297</u>	<u>19,141</u>	<u>49,479</u>	<u>-</u>	<u>49,479</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,627)	(208,595)	(2,319,586)	(2,561,808)	2,294,102	(267,706)
OTHER FINANCING SOURCES (USES)						
Developer advances	37,517	-	1,254,794	1,292,311	(1,292,311)	-
Transfers in	-	25,087	-	25,087	(25,087)	-
Transfers out	<u>-</u>	<u>-</u>	<u>(25,087)</u>	<u>(25,087)</u>	<u>25,087</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>37,517</u>	<u>25,087</u>	<u>1,229,707</u>	<u>1,292,311</u>	<u>(1,292,311)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	3,890	(183,508)	(1,089,879)	(1,269,497)	1,269,497	
CHANGE IN NET POSITION					(267,706)	(267,706)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>4,116</u>	<u>963,803</u>	<u>1,866,750</u>	<u>2,834,669</u>	<u>(3,152,660)</u>	<u>(317,991)</u>
END OF YEAR	<u>\$ 8,006</u>	<u>\$ 780,295</u>	<u>\$ 776,871</u>	<u>\$ 1,565,172</u>	<u>\$ (2,150,869)</u>	<u>\$ (585,697)</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, 2018

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 3,059	\$ 3,358	\$ 299
Specific ownership taxes	184	311	127
Operations and maintenance fees	1,400	6,433	5,033
Miscellaneous income	<u>-</u>	<u>372</u>	<u>372</u>
Total Revenues	<u>4,643</u>	<u>10,474</u>	<u>5,831</u>
EXPENDITURES			
Accounting and audit	5,304	14,930	(9,626)
Covenant control	5,800	4,550	1,250
Insurance	3,500	3,095	405
Election expense	1,500	980	520
Legal	14,280	9,521	4,759
Management fees	7,548	6,834	714
Miscellaneous expenses	1,000	1,687	(687)
Treasurer's fees	150	50	100
Utilities	7,700	1,612	6,088
Snow removal	15,000	842	14,158
Billing and meter reading	6,000	-	6,000
Meter installation	7,335	-	7,335
Repair and maintenance	1,000	-	1,000
O&M reserve	2,222	-	2,222
Contingency	8,979	-	8,979
Emergency reserve	<u>2,620</u>	<u>-</u>	<u>2,620</u>
Total Expenditures	<u>89,938</u>	<u>44,101</u>	<u>45,837</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(85,295)	(33,627)	51,668
OTHER FINANCING SOURCES (USES)			
Developer advances	114,664	37,517	(77,147)
Transfers out	<u>(27,600)</u>	<u>-</u>	<u>27,600</u>
Total Other Financing Sources (Uses)	<u>87,064</u>	<u>37,517</u>	<u>(49,547)</u>
NET CHANGE IN FUND BALANCE			
	1,769	3,890	2,121
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>4,116</u>	<u>4,116</u>
END OF YEAR	<u>\$ 1,769</u>	<u>\$ 8,006</u>	<u>\$ 6,237</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, 2018

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.

Sheridan Station West Metropolitan District

Notes to Financial Statements December 31, 2018

Basis of Presentation

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

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.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2018

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.

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.

Subsequent to year-end, the District amended its total appropriations in the Capital Fund from \$41,005 to \$2,365,507 primarily due the acceptance of capital improvements and the subsequent repayment of developer advances and in the Debt Service Fund from \$230,884 to \$250,000 primarily due to the unbudgeted trustee fees on the Series 2017 Bonds (See Note 4).

Assets, Liabilities, Deferred Inflows/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, 2018, 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 cash equivalents 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, 2018

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 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 and a deferred gain on refunding that is reported in the government-wide statement of net position.

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 fair value at the date of donation.

Sheridan Station West Metropolitan District

Notes to Financial Statements December 31, 2018

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 2018.

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, 2018

The nonspendable fund balance in the General Fund in the amount of \$2,980 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 \$3,369 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 \$780,295 is restricted for the payment of the debt service costs associated with the General Obligation Bonds Series 2017 (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$776,871 is restricted for the payment of the costs for capital improvements within the District.

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.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2018

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.

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, 2018, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 5,962
Cash and investments - Restricted	<u>1,558,391</u>
Total	<u>\$ 1,564,353</u>

Cash and investments as of December 31, 2018 consist of the following:

Deposits with financial institutions	\$ 13,047
Investments - COLOTRUST	<u>1,551,306</u>
	<u>\$ 1,564,353</u>

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2018

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.

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, 2018, 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 ventures 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. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2018

Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had \$1,551,306 invested in COLOTRUST.

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.

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, 2018 follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	<u>\$576,915</u>	<u>\$1,228,442</u>	<u>\$ -</u>	<u>\$ 1,805,357</u>
Total capital assets	<u>\$576,915</u>	<u>\$1,228,442</u>	<u>\$ -</u>	<u>\$ 1,805,357</u>

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

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2018

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2018, 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.

The Series 2017 Bonds are also subject to mandatory excess funds redemption, in integral multiples of \$1,000, on December 1, 2020, solely from and to the extent of any moneys held in the restricted account of the project fund on October 15, 2020. If amounts held in the restricted account of the project fund on October 15, 2020, are sufficient to redeem any Series 2017 Bonds on December 1, 2020, the trustee and the District will take action necessary to redeem as many Series 2017 Bonds as can be redeemed on December 1, 2020 at a price of par and accrued interest without redemption premium.

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:

<u>Redemption Date</u>	<u>Redemption Premium</u>
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 of 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.

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Notes to Financial Statements
December 31, 2018

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 and the Surplus Fund shall be maintained by the Trustee until the bonds are matured. The Series 2017 Bonds will convert to unlimited tax general obligations at such time the Debt to Assessed Ratio is less than 50%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 217,500	217,500
2020	-	217,500	217,500
2021	-	217,500	217,500
2022	35,000	217,500	252,500
2023	35,000	215,400	250,400
2024 - 2028	270,000	1,037,400	1,307,400
2029 - 2033	430,000	938,400	1,368,400
2034 - 2038	665,000	782,700	1,447,700
2039 - 2043	965,000	549,600	1,514,600
2044 - 2047	1,225,000	203,400	1,428,400
	<u>\$ 3,625,000</u>	<u>\$ 4,596,900</u>	<u>\$ 8,221,900</u>

The following is an analysis of changes in long-term debt for the period ending December 31, 2018:

	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Current</u> <u>Portion</u>
General Obligation Bonds - Series 2017	\$3,625,000	\$ -	\$ -	\$3,625,000	\$ -
Developer advances - Operations	26,867	37,517	-	64,384	-
Accrued interest - Operations	937	3,309	-	4,246	-
Developer advances - Capital Projects	54,973	1,254,794	1,084,978	224,789	-
Accrued interest - Capital Projects	1,458	18,224	-	19,682	-
Total	<u>\$3,709,235</u>	<u>\$1,313,844</u>	<u>\$1,084,978</u>	<u>\$3,938,101</u>	<u>\$ -</u>

Debt Authorization

As of December 31, 2018, the District had remaining voted debt authorization of approximately \$76,125,000. The District has not budgeted to issue any new debt during 2018. Per the District's Service Plan, the District can not issue debt in excess of \$7,250,000.

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2018

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 with the Developer (“FFAA”). 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. Any advances made under the FFAA will earn interest at 8% per annum. In 2018, the Developer advanced the District \$1,254,794 of which \$1,084,978 was repaid with the Series 2017 Bonds proceeds. As of December 31, 2018, the remaining principal is \$224,789 and the accrued interest is \$19,682.

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 - 2017. 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 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, 2046. As of December 31, 2018, the Developer has advanced the District \$64,384. Accrued interest was \$4,246.

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 is \$31.60 per month per resident and taxpayer. In 2018, the District collected \$6,434.12 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.

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, 2018

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, 2018

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: Interfund and Operating Transfers

The transfer of \$25,087 from the Capital Projects Fund to the Debt Service Fund was transferred for the purpose closing of the trustee account for the cost of issuance on the Series 2017 bonds (see Note 4).

Note 11: 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.

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;

Sheridan Station West Metropolitan District

Notes to Financial Statements
December 31, 2018

- 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.

SUPPLEMENTAL INFORMATION

SHERIDAN STATION WEST METROPOLITAN DISTRICT

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

DEBT SERVICE FUND

For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 6,149	\$ 6,149	\$ 6,750	\$ 601
Specific ownership taxes	369	369	625	256
Interest income	<u>-</u>	<u>19,116</u>	<u>18,922</u>	<u>(194)</u>
Total Revenues	<u>6,518</u>	<u>25,634</u>	<u>26,297</u>	<u>663</u>
EXPENDITURES				
Interest Expense	230,792	230,792	230,792	-
Paying agent fees	-	19,107	3,500	15,607
Treasurer's fees	<u>92</u>	<u>101</u>	<u>101</u>	<u>-</u>
Total Expenditures	<u>230,884</u>	<u>250,000</u>	<u>234,393</u>	<u>15,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(224,366)	(224,366)	(208,096)	16,270
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>25,087</u>	<u>25,087</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>25,087</u>	<u>25,087</u>
NET CHANGE IN FUND BALANCE				
	(224,366)	(224,366)	(183,009)	41,357
FUND BALANCE:				
BEGINNING OF YEAR	<u>962,500</u>	<u>962,500</u>	<u>963,803</u>	<u>1,303</u>
END OF YEAR	<u>\$ 738,134</u>	<u>\$ 738,134</u>	<u>\$ 780,794</u>	<u>\$ 42,660</u>

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

SHERIDAN STATION WEST METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ 20,000	\$ 19,141	\$ (859)
Total Revenues	<u>-</u>	<u>20,000</u>	<u>19,141</u>	<u>(859)</u>
EXPENDITURES				
Legal	29,580	15,000	14,621	379
Management fees	11,425	12,000	10,250	1,750
Capital improvements	-	1,228,442	1,228,442	-
Repay developer advances	<u>-</u>	<u>1,084,978</u>	<u>1,084,978</u>	<u>-</u>
Total Expenditures	<u>41,005</u>	<u>2,340,420</u>	<u>2,338,291</u>	<u>2,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,005)	(2,320,420)	(2,319,150)	1,270
OTHER FINANCING SOURCES (USES)				
Developer advances	13,405	2,345,507	1,254,794	(1,090,713)
Transfers in	27,600	-	-	-
Transfers out	<u>-</u>	<u>(25,087)</u>	<u>(25,087)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>41,005</u>	<u>2,320,420</u>	<u>1,229,707</u>	<u>(1,090,713)</u>
NET CHANGE IN FUND BALANCE	-	-	(1,089,443)	(1,089,443)
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>1,866,750</u>	<u>1,866,750</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,307</u>	<u>\$ 777,307</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, 2018

(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	\$ 10,108	113.85%
2018	\$ 139,057	22.000	44.222	\$ 9,208		
Estimated for year ending December 31, 2019	\$ 938,862	22.000	44.222	\$ 62,172		

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.