

Annual Financial Report

The Henrylyn Irrigation District
Keenesburg, Colorado

For the Year Ended December 31, 2019



Tim
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THE HENRYLYN IRRIGATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Henrylyn Irrigation District
Keenesburg, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of The Henrylyn Irrigation District, State of Colorado as of and for the years ended December 31, 2019, 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 the 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 from 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 entity'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 of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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 Henrylyn Irrigation District, State of Colorado as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 28-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Greeley, Colorado
May 27, 2020

Tim Chavies & Associates, Inc.
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Certified Public Accountants

THE HENRYLYN IRRIGATION DISTRICT
29490 County Road 14
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(303) 536-4702

Management's Discussion and Analysis
December 31, 2019

The management's discussion and analysis (MD&A) of The Henrylyn Irrigation District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year. It should be read in conjunction with the accompanying basic financial statements. When available, the District has included comparative analysis of such data.

Financial Highlights

- The District's total net position increased \$2,717,961 or 23.99% between 2019 and 2018.
- Total revenues were \$5,021,521 in 2019 compared to \$3,369,411 in 2018, an increase of \$1,652,110 or 49.03%.
- Total administrative and general expenses were \$1,940,001 in 2019 compared to \$1,890,573 in 2018, an increase of \$49,428 or 2.61%.
- The District's note to the Colorado Water Conservation Board was paid in accordance with the amortization schedule.

Overview of the Financial Statements

The discussion and analysis serve as an introduction to The Henrylyn Irrigation District's basic financial statements which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, and 4) other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the District's finances utilizing the full accrual method of accounting.

The Statement of Net Position presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, including capital assets and long-term liabilities with the difference between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include only the general government. The District does not have any business-type activities or component units.

Fund Financial Statements focus on current available resources and are organized and operated on the basis of funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the District can be divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances on spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District only maintains one governmental fund (operating) and adopts an annually appropriated budget for this governmental fund. Budgetary comparison statements for the governmental fund are required to be presented and are included as part of the other supplementary schedules of this report.

The District does not have any **Proprietary Funds or Fiduciary Funds**.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information includes certain required supplementary information containing budgetary comparison schedules of revenues, expenditures and changes in fund balances for all funds.

Government-Wide Financial AnalysisCondensed financial information from the **Statement of Net Position:**

December 31.	2019	2018
Assets		
Current	\$ 7,404,770	\$ 5,312,597
Noncurrent	145,104	147,653
Capital assets, net	8,530,664	8,449,976
Total Assets	16,080,538	13,910,226
Deferred Outflows	-	-
Liabilities		
Long-term debt outstanding	1,531,119	1,582,109
Other liabilities	437,276	931,386
Total Liabilities	1,968,395	2,513,495
Deferred Inflows	66,426	68,975
Net Position:		
Net investment in capital assets	6,948,555	6,817,754
Restricted - debt	78,678	78,678
Unrestricted	7,018,484	4,431,324
Total Net Position	\$ 14,045,717	\$ 11,327,756

Net position of the District was affected by 5K Agreement money being received from FRICO, increase in sale of water, permits revenue, long-term debt decreasing by principal payments and net capital assets increasing due to actual purchases of new capital assets being more than depreciation.

Condensed financial information from the **Statement of Activities:**

December 31.	2019	2018
Revenues:		
Operating revenues	\$ 586,454	\$ 588,450
Other revenues	4,300,752	2,709,376
Earnings on investments	134,315	71,585
Total Revenues	5,021,521	3,369,411
Expenses:		
Administrative and general	1,940,001	1,890,573
Depreciation	403,872	386,711
Interest on debt	28,117	28,987
Total Expenses	2,371,990	2,306,271
Other Financing Sources (Uses):		
Proceeds on sale of assets	68,430	23,545
Total Other Financing Sources (Uses)	68,430	23,545
Net Change in Net Position	2,717,961	1,086,685
Net Position - beginning of year	11,327,756	10,241,071
Net Position - end of year	\$ 14,045,717	\$ 11,327,756

The Net Position of the District increased by \$2,717,961 during 2019. The increase was due to higher amounts received for sale of water of \$3,190,877 compared to \$1,550,155, permits revenue of \$277,344 compared to \$428,533, and purchase of capital assets and depreciation on capital assets.

Governmental Funds Financial Analysis

Governmental funds. All of the District's functions are reported in the general (operating) fund. The focus of this fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of its fiscal year.

Proprietary and Fiduciary funds. As mentioned earlier, the District does not have any of these types of funds.

Budgetary Highlights

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budget and actual comparison schedules are provided in the other supplementary information section of this report. The budget and actual comparison schedules show the original adopted budget, the final revised budget, actual results, and variance between the final budget and actual results for the general (operating) fund, the only fund of the District.

There were differences from the original adopted and the final revised budget due to additional appropriations being passed.

Fund	Original	Additional	Revised
Governmental	\$ 2,795,477	\$ 360,376	\$ 3,155,853
Total	\$ 2,795,477	\$ 360,376	\$ 3,155,853

Capital Assets and Debt Administration Capital Assets (Net of Depreciation)

December 31.	2019	2018
Water stocks	\$ 71,500	\$ 71,500
Irrigation system	6,802,424	5,479,208
Rights of way	-	-
Building and improvements	967,490	994,650
Equipment	682,718	596,139
Office furniture and equipment	6,532	9,093
Construction in progress	-	1,299,386
Total	\$ 8,530,664	\$ 8,449,976

Capital assets – net of depreciation increased during 2019 due to capital outlay of \$484,560 (assets acquired) and depreciation of \$403,872. See Note 4 for further discussion.

Long-Term Debt

December 31.	2019	2018
State of Colorado - CWCB	\$ 1,582,109	\$ 1,632,222
Total	\$ 1,582,109	\$ 1,632,222

Long-term debt decreased \$50,113 by principal payment.

Economic Factors

The District's revenues are not generally dependent on economic factors. Approximately eleven percent of the District's revenues are from the collection of a per acre water tax levied upon all real property within the District. Other revenues are comprised of consideration for water right agreements with municipalities, permit fees and earnings on investments. Such revenues are anticipated to increase over time as the Denver Metro area continues to develop and require additional water supplies.

The COVID-19 pandemic is having significant effects globally and nationwide, the specific impact to the District could be a potential decline or reduction in oil and gas royalties and sale of water revenues in 2020. However, the full impact of COVID-19 is unknown and cannot be reasonable estimated as these events are still developing.

Financial Contact

This financial report is designed to provide a general overview of the District's finances for those who have an interest in the District. If you have any questions about the report or need additional financial information, please contact Rodney Baumgartner, Manager at 29490 County Road 14, Keenesburg Colorado 80643. Phone (303) 536-4702.

BASIC FINANCIAL STATEMENTS

THE HENRYLYN IRRIGATION DISTRICT

Statement of Net Position

December 31, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Cash on hand and in checking	\$ 12,495	\$ 121,373
Money market sweep account	7,289,811	4,873,673
Accounts receivable	27,980	254,222
Accrued interest receivable	9,352	-
Tax sale certificates receivable	4,956	5,029
Prepaid expenditures	60,176	58,300
Total Current Assets	7,404,770	5,312,597
Noncurrent Assets:		
Installment sale receivable	66,426	68,975
Restricted assets:		
Debt reserve	78,678	78,678
Total Noncurrent Assets	145,104	147,653
Capital Assets:		
Water stocks	71,500	71,500
Irrigation system	13,163,788	11,634,072
Rights of way	40,074	40,074
Buildings and improvements	1,081,075	1,081,075
Equipment	1,701,420	1,713,361
Office furniture and equipment	26,993	26,993
Construction in progress	-	1,299,386
Total Capital Assets	16,084,850	15,866,461
Less: accumulated depreciation	(7,554,186)	(7,416,485)
Net Capital Assets	8,530,664	8,449,976
Total Assets	16,080,538	13,910,226
DEFERRED OUTFLOWS		
Grant expenditures paid in advance of meeting timing requirements	-	-
LIABILITIES		
Current Liabilities:		
Accounts payable	262,430	767,736
Separation benefit payable	109,747	98,981
Accrued interest payable	14,109	14,556
Compensated absences	-	-
Current portion of long-term debt	50,990	50,113
Total Current Liabilities	437,276	931,386
Non-Current Liabilities:		
Note payable - State of Colorado	1,582,109	1,632,222
Less: portion due within one year	(50,990)	(50,113)
Total Non-Current Liabilities	1,531,119	1,582,109
Total Liabilities	1,968,395	2,513,495
DEFERRED INFLOWS		
Unavailable revenue - installment sale	66,426	68,975
NET POSITION		
Net Investment in capital assets	6,948,555	6,817,754
Restricted - debt	78,678	78,678
Unrestricted	7,018,484	4,431,324
Total Net Position	\$ 14,045,717	\$ 11,327,756

See accompanying notes to basic financial statements

THE HENRYLYN IRRIGATION DISTRICT*Statement of Activities*

For the Year Ended December 31, 2019 and 2018

	2019	2018
Expenses:		
Administrative and general	\$ 1,940,001	\$ 1,890,573
Depreciation	403,872	386,711
Interest on debt	28,117	28,987
Total Expenses	2,371,990	2,306,271
Revenues:		
Operating revenues	586,454	588,450
Miscellaneous revenues	4,300,752	2,709,376
Investment income	134,315	71,585
Total Revenues	5,021,521	3,369,411
Other Financing Sources (Uses):		
Proceeds from sale of assets	68,430	23,545
Total Other Financing Sources (Uses)	68,430	23,545
Net Change in Net Position	2,717,961	1,086,685
Net Position - beginning of year	11,327,756	10,241,071
Net Position - end of year	\$ 14,045,717	\$ 11,327,756

See accompanying notes to basic financial statements

THE HENRYLYN IRRIGATION DISTRICT

Governmental Funds

Balance Sheet

December 31, 2019 and 2018

	Operating	Total Governmental Funds	
		2019	2018
ASSETS			
Current Assets:			
Cash on hand and in checking	\$ 12,495	\$ 12,495	\$ 121,373
Money market sweep account	7,289,811	7,289,811	4,873,673
Accounts receivable	27,980	27,980	254,222
Accrued interest receivable	9,352	9,352	-
Tax sale certificates receivable	4,956	4,956	5,029
Prepaid expenditures	60,176	60,176	58,300
Total Current Assets	7,404,770	7,404,770	5,312,597
Noncurrent Assets:			
Installment sale receivable	66,426	66,426	68,975
Restricted assets:			
Debt reserve	78,678	78,678	78,678
Total Noncurrent Assets	145,104	145,104	147,653
Total Assets	7,549,874	7,549,874	5,460,250
DEFERRED OUTFLOWS			
Grant expenditures paid in advance of meeting timing requirements	-	-	-
Total Assets and Deferred Outflows	\$ 7,549,874	\$ 7,549,874	\$ 5,460,250
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 262,430	\$ 262,430	\$ 767,736
Separation benefit payable	109,747	109,747	98,981
Accrued interest payable	14,109	14,109	14,556
Compensated absences	-	-	-
Total Current Liabilities	386,286	386,286	881,273
Total Liabilities	386,286	386,286	881,273
DEFERRED INFLOWS			
Unavailable revenue - installment sale	66,426	66,426	68,975
Total Liabilities and Deferred Inflows	452,712	452,712	950,248
FUND BALANCE			
Nonspendable - prepaid	60,176	60,176	58,300
Restricted - debt	78,678	78,678	78,678
Committed - subsequent year's expenditures	2,035,125	2,035,125	734,265
Assigned	-	-	-
Unassigned	4,923,183	4,923,183	3,638,759
Total Fund Balance	7,097,162	7,097,162	4,510,002
Total Liabilities, Deferred Inflows and Fund Balance	\$ 7,549,874	\$ 7,549,874	\$ 5,460,250

THE HENRYLYN IRRIGATION DISTRICT

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2019 and 2018

	2019	2018
Total Governmental Fund Balance	\$ 7,097,162	\$ 4,510,002
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:		
Capital assets	16,084,850	15,866,461
Less: accumulated depreciation	(7,554,186)	(7,416,485)
	8,530,664	8,449,976
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds	-	-
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Note payable - State of Colorado	(1,582,109)	(1,632,222)
Net Position of Governmental Activities	\$ 14,045,717	\$ 11,327,756

THE HENRYLYN IRRIGATION DISTRICT*Governmental Funds**Statement of Revenues, Expenditures and Changes in Fund Balance*

December 31, 2019 and 2018

	Operating	Total Governmental Funds	
		2019	2018
Revenues			
Operating revenues	\$ 586,454	\$ 586,454	\$ 588,450
Miscellaneous revenues	4,300,752	4,300,752	2,709,376
Earnings on investments	134,315	134,315	71,585
Total Revenues	5,021,521	5,021,521	3,369,411
Expenditures:			
Administrative and general	1,940,001	1,940,001	1,890,573
Capital outlay	484,560	484,560	1,394,397
Debt service:			
Principal	50,113	50,113	49,252
Interest	28,117	28,117	28,987
Total Expenditures	2,502,791	2,502,791	3,363,209
Excess (Deficiency) of Revenues over Expenditures	2,518,730	2,518,730	6,202
Other Financing Sources (Uses):			
Proceeds from sale of assets	68,430	68,430	23,545
Long-term debt proceeds	-	-	-
Total Other Financing Sources (Uses)	68,430	68,430	23,545
Net Change in Fund Balance	2,587,160	2,587,160	29,747
Fund balance - beginning of year	4,510,002	4,510,002	4,480,255
Fund Balance - end of year	\$ 7,097,162	\$ 7,097,162	\$ 4,510,002

See accompanying notes to basic financial statements

THE HENRYLYN IRRIGATION DISTRICT

Governmental Funds

*Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities*

December 31, 2019 and 2018

	2019	2018
Net Change in Fund Balance - Total Governmental Funds	\$ 2,587,160	\$ 29,747
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	484,560	1,394,397
Depreciation expense	(403,872)	(386,711)
	<u>80,688</u>	<u>1,007,686</u>
The net effect of various miscellaneous transactions involving capital assets is to decrease net position (i.e. sales, disposals and trade-ins)	-	-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Donated capital assets	-	-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Note payable - State of Colorado	50,113	49,252
Issuance of new debt to purchase capital assets increases long-term liabilities in the Statement of Net Position:		
Long-term debt proceeds	-	-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued interest payable	-	-
Change in Net Position of Governmental Activities	\$ 2,717,961	\$ 1,086,685

NOTES TO THE BASIC FINANCIAL STATEMENTS

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Henrylyn Irrigation District (District) is a public or quasi-municipal corporation that was created by order of the Board of County Commissioners of Weld County, Colorado, on October 7, 1907. The District was organized pursuant to a petition of the landowners setting forth the boundaries of the District for the purpose of providing for the irrigation and drainage work necessary to maintain the irrigability of the land within the District and to purchase, acquire, lease or rent such ditches, canals and reservoirs and their franchises.

The financial statements of the Henrylyn Irrigation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards followed by governmental entities.

Reporting Entity

The District is a primary government that has a separately elected governing board and is legally separate, as well as financially independent of other state and local governments. The primary government may appoint a simple majority of the organization's governing board or have the ability to impose its will on the organization. A component unit may be a financial benefit or burden to the primary government and is a legally separate organization of which the elected officials of the primary government are financially accountable. The District does not have any component units.

New Accounting Pronouncements

GASB Statement No 83, *Certain Asset Retirement Obligations*. This statement provides financial statement users with information about asset retirement obligations (AROs) that were not addressed in previous GASB Standards. The District identified no AROs, therefore, for year ended December 31, 2019 implementation had no impact to the District's financial statements.

GASB Statement No 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District identified no fiduciary activities, therefore, for year ended December 31, 2019 implementation had no impact to the District's financial statements

GASB Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The District has debt, therefore, for year ended December 31, 2019 implementation had an impact to the District's financial statements.

GASB Statement No 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. The District identified no majority equity interests, therefore, for year ended December 31, 2019 implementation had no impact to the District's financial statements.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements

Government-Wide Financial Statements are presented on an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. Government-wide financial statements consist of Statement of Net Position and Statement of Activities. The Statement of Net Position includes all assets, deferred outflow of resources, liabilities, and deferred inflows of resources.

Governmental Fund Financial Statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period which they become both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal year.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution are adopted by the District in accordance with the Colorado State Statutes. The budget for the Operating Fund is prepared on a basis consistent with generally accepted accounting principles, except that loan proceeds are treated as other financing sources and debt service principal payments and capital outlays are treated as expenditures.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or about September 20, the District staff submits to the District Board a proposed operating budget for the fiscal year commencing January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments. Prior to November 1, the District certifies the number of acres of land subject to assessment for the budget year and certifies the levy per acre to the Board of County Commissioners.
- Prior to December 31, the budget is legally adopted by the District. Colorado law requires that the Operating Fund have a legally adopted budget and total expenditures cannot exceed the amount appropriated. Appropriations lapse at the end of the fiscal year, but appropriations may be increased prior to the end of the fiscal year provided that the increase is offset by unanticipated resources.

Encumbrances

Encumbrances are commitments under purchase orders, contracts, and other commitments (as opposed to expenditures) and are shown in the governmental fund types as a designated portion of fund balance for subsequent fiscal year's expenditures.

Compensated Absences

Employees are granted vacation time in varying amounts depending upon the length of continuous service the employee has given the District. Vacation time cannot be accumulated from one anniversary year to another anniversary year. (Anniversary year commences on the date of employment). There is no policy for sick pay.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the basic financial statements, the District considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired.

Investments

Investments are carried at fair value plus accrued interest with net appreciation or depreciation on investments included in earnings on investments. See Note 3 for further discussion.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the governmental-wide financial statements. The District records its property and equipment at historical cost. Contributed capital assets are valued at their estimated fair value on the date donated. Maintenance and repairs are charged to current period operating expenses, whereas additions and improvements are capitalized. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in operations. Interest costs relating to construction are capitalized. During years ended December 31, 2019 and 2018, no interest was capitalized. The District's capitalization level is \$4,000 for capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Distribution system	25 to 50
Buildings and improvements	20
Office equipment and furnishings	5 to 10
Operation and maintenance equipment	5 to 10
Vehicles	5 to 10
Computer equipment	3 to 5

As a result of the implementation of Statement No. 34, the District is accounting for infrastructure and capital assets on its financial statements. The government-wide financial statements include those assets that were completed during the fiscal year-end, considered construction in progress or purchased or constructed in prior years.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets include the debt reserves amounts required by the State of Colorado Water Conservation Board (CWCB) loan. See Note 7 for further discussion on the CWCB loan.

Equity - Net Position

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

Equity - Fund Balance

In the governmental funds, fund balances should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, or unassigned. The following classifications describe the relative strength of spending constraints:

- (1) ***Nonspendable Fund Balance*** – the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- (2) ***Restricted Fund Balance*** – the portion of fund balance that is constrained to be used for a specific purpose by external parties (creditors, grantors, or contributors), enabling legislation or constitutional provisions.
- (3) ***Committed Fund Balance*** – the portion of fund balance that can only be use for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making, District Board. The constraint may be removed or changed only through form action of District's Board through approval of resolutions.
- (4) ***Assigned Fund Balance*** – the portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the District Board to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- (5) ***Unassigned Fund Balance*** – the residual portion of fund balance that does not meet any of the criteria described above. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Article X, Section 20, of the Colorado Constitution contains several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes that it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

In September, 1998, according to the District's lawyer, the District has been held to be exempt from the provisions of Colorado Amendment #1 (TABOR) - Colorado Constitution Article X, Section 20, by the Colorado Supreme Court in Case No. 97 SA 303, Campbell vs. Orchard Mesa Irrigation District: Taxpayer Bill of Rights (Amendment One). The opinion states that in answer to a certified question an irrigation district formed pursuant to Colorado Statute is a public corporation that exercises limited public powers, that is to provide ways and means of supplying water to lands for the benefit of landowners within the district. But "that we hold that an irrigation district is not a 'district' for purposes of Article X, Section 20 of the Colorado Constitution because it is not a local government entity thereunder".

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is 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 the aggregate uninsured deposits.

Total cash deposits at December 31, 2019 and 2018 were as follows:

	2019	2018
Cash on hand and Cash with Weld County Treasurer	\$ 416	\$ -
Cash in Checking	12,079	121,373
Total Cash Deposits	\$ 12,495	\$ 121,373

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

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which a political subdivision may invest, which include:

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

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments by Fair Value Level:				
US Treasury Bond/Note	\$ -	\$ -	\$ -	\$ -
Federal Agency Obligations	-	-	-	-
Equities	-	-	-	-
Subtotal	\$ -	\$ -	\$ -	-
Investments measured at Amortized Cost:				
Certificates of Deposit				-
Money market sweep account				7,368,489
Total Investments				\$ 7,368,489

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 are valued using discounted cash flow techniques or valued using consensus pricing.

Maturities of investments at December 31, 2019 were as follows:

	Investment Maturities in Years				Total
	Less than 1	1 to 5	6 to 10	More than 10	
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Investments at fair value	-	-	-	-	-
Investments at amortized cost	7,368,489	-	-	-	7,368,489
Total Investments	\$ 7,368,489	\$ -	\$ -	\$ -	\$ 7,368,489

The District's policy is to hold investments until maturity.

Custodial Credit Risk is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investment (or related collateral securities that are held by an outside party). The District had no custodial credit risk for its investments at December 31, 2019 and 2018.

Credit Risk is the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The District's investment policy follows Colorado Revised State Statutes.

THE HENRYLYN IRRIGATION DISTRICT*Notes to the Basic Financial Statements*

December 31, 2019

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)**Investments (continued)**

Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. The District can minimize the interest rate risk of its investments by holding the investment until maturity.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District has no such policy limiting how much can be with one financial institution due to the Colorado Public Deposit Protection Act (PDPA).

Foreign Currency Risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The District has no policy for foreign currency risk.

Summary

Total cash deposits and investments at December 31, 2019 and 2018 are as follows:

	2019	2018
Cash deposits	\$ 12,495	\$ 121,373
Investments	7,368,489	4,952,351
Total Cash Deposits and Investments	7,380,984	5,073,724
Less: restricted debt reserve	(78,678)	(78,678)
Total Cash Deposits and Investments - unrestricted	\$ 7,302,306	\$ 4,995,046

Investment Income

	2019	2018
Interest income	\$ 5,146	\$ 7,160
Dividend income	129,169	64,425
Net increase (decrease) in the fair value of investments	-	-
Total Investment Income	\$ 134,315	\$ 71,585

The net increase (decrease) in the fair value of investments represents the difference in fair value from one year to the next. This figure will vary year to year depending on the fair market value of the investments at year end and is not a budgetary item.

Calculation of net increase (decrease) in fair value of investments is as follows:

	2019	2018
Fair value at end of year	\$ -	\$ -
Less: Fair value at beginning of prior year	-	-
Less: Fair value at beginning of year	-	-
Add: Cost basis of investment sold	-	-
Net increase (decrease) in Fair Value	\$ -	\$ -

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets as of December 31, 2019:

Governmental Activities	Beginning			Ending
Non-Depreciable Assets:	Balance	Additions	Retirements	Balance
Water stocks	\$ 71,500	\$ -	\$ -	\$ 71,500
Depreciable Assets:				
Irrigation system	11,634,072	1,529,716	-	13,163,788
Rights of way	40,074	-	-	40,074
Buildings and improvements	1,081,075	-	-	1,081,075
Equipment	1,713,361	254,230	(266,171)	1,701,420
Furniture and fixtures	26,993	-	-	26,993
Construction in progress	1,299,386	-	(1,299,386)	-
Totals at Historical Cost	15,866,461	1,783,946	(1,565,557)	16,084,850
Less: Accumulated Depreciation for:				
Irrigation system	(6,154,864)	(206,500)	-	(6,361,364)
Rights of way	(40,074)	-	-	(40,074)
Buildings and improvements	(86,425)	(27,160)	-	(113,585)
Equipment	(1,117,222)	(167,651)	266,171	(1,018,702)
Furniture and fixtures	(17,900)	(2,561)	-	(20,461)
Total Accumulated Depreciation	(7,416,485)	(403,872)	266,171	(7,554,186)
Capital Assets - Net	\$ 8,449,976	\$ 1,380,074	\$ (1,299,386)	\$ 8,530,664

Depreciation expense was charged to governmental functions as follows:

Administration and general	\$ 403,872
Total Depreciation Expense	\$ 403,872

NOTE 5 - ASSESSMENTS

Water assessments are assessed on a per acre basis. The per acre amount is determined in the prior year for budgeting purposes, and the assessments are made and collected in the year in which water is to be delivered. Although the amount is measurable in the prior year, the revenue is not available until the current year, when water is delivered. The 2019 fiscal year assessments calendar is as follows:

Lien Date	January 1, 2019
Assessment Date	November 1, 2018
Assessment bills mailed	January 1, 2019
First installment due	February 28, 2019
Second installment due	June 15, 2019
If paid in full, due	April 30, 2019
Tax sale - delinquent assessments	November 15, 2019

As of December 31, 2019, and 2018, there were delinquent assessments or uncollected assessments of \$4,956 and \$5,029, respectively.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 6 - LIABILITY INSURANCE FOR CANALS OR RESERVOIRS

The District has been held to be a public entity, subject to protection from the Governmental Immunity Act. Therefore, any tort actions for damages resulting from the operation of the District, its canals or reservoirs, would be subject to a maximum judgment amount of \$150,000 for any one person and \$400,000 for any single occurrence.

On November 5, 1985, the District adopted a resolution which shall indemnify any employee, landowner, officer or member of the Board of Directors of the Henrylyn Irrigation District in the event such employee, landowner, officer or member of the Board of Directors is determined to be liable for any damage arising from leakage or overflow of waters from any reservoir or canal of the District, or any damage arising from floods caused by breaking of the embankments of any reservoir or canal of the District, unless it is also determined that the act or omission of such employee, landowner, officer or member of the Board of Directors of the District was dishonest, fraudulent, malicious or criminal. This resolution was passed by a special election held on December 3, 1985.

NOTE 7 – LONG-TERM DEBT

Direct Borrowings - Note Payable - State of Colorado

The State of Colorado Water Conservation Board (CWCB) pursuant to the provisions of 37-60-119, Colorado Revised Statutes, 1973, as amended, loaned to the District money in the principal amount of \$2,967,279 (including the 1% loan service charge) to rehabilitate the upslope of the Prospect dam to increase both the erosion protection and the stability of the dam. As a requirement for this loan, the District must maintain a loan reserve fund equal to one annual payment. The loan bears interest at the rate of 1.75% and is to be repaid in 30 annual installments of \$78,678. The CWCB may impose a late charge in the amount of 5% of the annual payment if annual payments are not received within 15 calendar days of the due date.

The District irrevocably pledged the following for repayment of this loan: (1) all revenues from assessments levied for that purpose as authorized by the District's resolutions, (2) all of the District's rights to receive said assessment revenues, hereinafter collectively, and (3) an undivided 30% interest in certain real property known as Prospect Reservoir. The Note may be prepaid in whole or in part at any time without premium or penalty. Any partial prepayments shall not postpone the due date of any subsequent payments or change the amount of such payments.

The Note shall be in default under this agreement upon certain events or conditions. Upon such default, the outstanding principal and interest, at the option of CWCB, may at once, become due and payable and said collateral be sold in the same manner and with the same effect as if said indebtedness had matured.

The balance due on direct borrowings from the State of Colorado Water Conservation Board as of December 31, 2019 and 2018 is \$1,582,109 and \$1,632,222, respectively.

Other Debt and Line of Credit

The District has no other debt or unused lines of credit.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Changes in Long Term Debt

Notes from Direct Borrowings	12/31/2018	Additions	Reductions	12/31/2019	Due Within
					One Year
Note Pay - State of Colo	\$ 1,632,222	\$ -	\$ (50,113)	\$ 1,582,109	\$ 50,990
Total	\$ 1,632,222	\$ -	\$ (50,113)	\$ 1,582,109	\$ 50,990

NOTE 8 - DEBT SERVICE REQUIREMENTS

Summary of debt service requirements - Annual principal and interest to maturity:

Year	Notes from Direct Borrowings				Annual Principal & Interest
	State of Colorado		Total		
	Principal	Interest	Principal	Interest	
2020	\$ 50,990	\$ 27,688	\$ 50,990	\$ 27,688	\$ 78,678
2021	51,883	26,795	51,883	26,795	78,678
2022	52,791	25,887	52,791	25,887	78,678
2023	53,715	24,963	53,715	24,963	78,678
2024	54,655	24,023	54,655	24,023	78,678
5yr	264,034	129,356	264,034	129,356	393,390
2025	55,611	23,067	55,611	23,067	78,678
2026	56,584	22,094	56,584	22,094	78,678
2027	57,575	21,103	57,575	21,103	78,678
2028	58,582	20,096	58,582	20,096	78,678
2029	59,607	19,071	59,607	19,071	78,678
10yr	287,959	105,431	287,959	105,431	393,390
2030	60,650	18,028	60,650	18,028	78,678
2031	61,712	16,966	61,712	16,966	78,678
2032	62,792	15,886	62,792	15,886	78,678
2033	63,891	14,787	63,891	14,787	78,678
2034	65,009	13,669	65,009	13,669	78,678
15yr	314,054	79,336	314,054	79,336	393,390
2035	66,146	12,532	66,146	12,532	78,678
2036	67,304	11,374	67,304	11,374	78,678
2037	68,482	10,196	68,482	10,196	78,678
2038	69,680	8,998	69,680	8,998	78,678
2039	70,899	7,779	70,899	7,779	78,678
20yr	342,511	50,879	342,511	50,879	393,390
2040	72,140	6,538	72,140	6,538	78,678
2041	73,403	5,275	73,403	5,275	78,678
2042	74,687	3,991	74,687	3,991	78,678
2043	75,994	2,684	75,994	2,684	78,678
2044	77,327	1,393	77,327	1,393	78,720
25yr	373,551	19,881	373,551	19,881	393,432
Total	\$ 1,582,109	\$ 384,883	\$ 1,582,109	\$ 384,883	\$ 1,966,992

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 9 - FARMERS GUN CLUB AGREEMENT

On October 1, 2016, the District entered into another agreement with the Farmers Gun Club for exclusive use for the hunting and recreational rights and the Farmers Gun Club agrees to pay the District annual payments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2016	\$ 160,950	2021	\$ 186,585
2017	\$ 165,779	2022	\$ 192,183
2018	\$ 170,752	2023	\$ 197,948
2019	\$ 175,874	2024	\$ 203,887
2020	\$ 181,151	2025	\$ 210,003

NOTE 10 - CITY OF THORNTON - EXCHANGE AGREEMENT

On July 18, 1985, an agreement was made between the District and the City of Thornton which granted the City of Thornton the first right to use up to 100 cubic feet a second of the excess capacity in the Main Burlington Ditch. Upon execution of the agreement, the District received \$125,000.

In addition, each and every year within 20 days of receipt thereof from the District, the City of Thornton is to pay the District a sum equal to 15% of the amount charged by Farmers Reservoir and Irrigation Company to the District as the District's share of the operation and maintenance expenses for the Burlington Ditch and O'Brian Canal, from the headgate on the South Platte River to Barr Lake. The sum is not to exceed \$5,000 per year.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and subcontractors; and natural disasters. As indicated in Note 8, the District is held to be a public entity and subject to protection from the Governmental Immunity Act and subject to maximum judgments. The District purchases commercial insurance for most risks of loss. As of December 31, 2019, and 2018, the District did not have any liabilities in excess of insurance limits. Claims have not exceeded insurance coverage in the prior three years.

NOTE 12 - CONTINGENCIES

In the opinion of the District's management and counsel, there is no material pending or threatened litigation, claims, and assessments. Furthermore, the District's management and counsel are unaware of any unasserted possible claims or assessments that are probable of assertion and must be disclosed as of December 31, 2019 and 2018. See Note 18 for further discussion.

NOTE 13 - OFFER TO PURCHASE 5,000 ACRE-FOOT WATER SUPPLY (5K WATER)

On July 18, 2000, the District, the Farmers Reservoir & Irrigation Company ("FRICO"), and the Burlington Ditch, Reservoir & Land Company (Burlington) collectively (the "Companies") received an offer from the South Adams Water and Sanitation District ("SACWSD") to purchase a permanent municipal water supply. SACWSD offered to purchase 5,000 acre-feet of fully consumable water at \$12,000 per acre-foot from the Companies, which fully consumable water the Companies are legally entitled to receive from the Denver Water Board ("Denver") pursuant to a previous water rights litigation Settlement Agreement in case no. 1996 CW 145 – Water Division I.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 13 - OFFER TO PURCHASE 5,000 ACRE-FOOT WATER SUPPLY (5K WATER) (CONTINUED)

The directors from all three entities (Henrylyn, FRICO and Burlington) negotiated and executed a Stock Purchase Agreement (“5K Agreement”) with SACWSD, dated December 5, 2001, which agreement was presented to the entities (Henrylyn, FRICO and Burlington) for final approval.

On December 4, 2001, the District held an election with a Special Question requesting District landowner approval of the 5K Agreement, this Special Question passed by a majority vote. During 2001, FRICO and Burlington shareholders also approved the 5K Agreement.

Pursuant to previous agreements with FRICO and Burlington, the District is entitled to receive one-third of all net revenues realized from the 5K Agreement. Payment is structured over time as stated in the 5K Agreement, which is available at the District’s office in Keenesburg, Colorado.

An initial purchase of 500-acre feet of fully consumable water “as is/where is” pursuant to the 5K Agreement closed on April 12, 2002, with the District receiving one third of \$3.5 million dollar, or \$1,166,667.

This initial purchase of 500-acre feet of fully consumable water by SACWSD from the Companies under the 5K Agreement was reviewed by the Water Court, State Engineer and Division Engineer for final approval in case no. 2002 CW 105A – Water Division I.

The Companies negotiated an Amended Stock Purchase Agreement (“Amended 5K Agreement”) with SACWSD dated September 8, 2006 which Amended 5K Agreement provided for the direct delivery of the 5,000-acre feet of fully consumable water from Denver to SACWSD, obviating the necessity of the Companies pursuing a water court application to approve any exchange of the 5K fully consumable water. The Water Court for Water Division I entered its Decree in case no. 2002 CW 105A – Water Division I on December 19, 2006 approving the exchange of FRICO’s Barr Lake storage water right with the District’s Horse Creek and Prospect Reservoirs storage water rights.

The District received \$510,000 and \$499,333 of 5K Agreement money in 2019 and 2018, respectively.

NOTE 14 – MUTUAL WATER CARRIAGE AND STORAGE AGREEMENT

On October 16, 2002, the District, the Farmers Reservoir & Irrigation Company (“FRICO”), and the Burlington Ditch, Reservoir & Land Company (“Burlington”) entered into a Mutual Water Carriage and Storage Agreement with Silver Peaks Metropolitan District No. 1 (“Silver Peaks”).

This agreement was originally a requirement of the 5K Water Agreement (See Note 13) that required the companies to acquire, construct and maintain water diversion and storage facilities necessary to exchange up to 5,000-acre feet of the Companies’ decreed water rights for a like amount of fully consumable water to be delivered to the Companies from Denver. The Amended 5K Agreement executed on September 8, 2006 provided for the direct delivery of the 5,000-acre feet of fully consumable water from Denver to SACWSD, obviating the necessity of the Companies pursuing a water court application to approve any exchange of the 5K fully consumable water.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 14 – MUTUAL WATER CARRIAGE AND STORAGE AGREEMENT (CONTINUED)

These Agreements, together with companion operating and maintenance agreements, condominium declarations, and corresponding option rights, provide the Companies with 2,000 acre feet of storage in the Brannon Reservoir, a lined gravel pit at 124th Avenue and Brighton Road, and an undivided one-half interest in a diversion structure from the South Platte River, a pump plant from the river through the Brannon Reservoir and a 36” pipeline from the Brannon Reservoir to the Burlington-O’Brian Canal. Notwithstanding that these facilities are no longer required to facilitate an exchange of the 5K fully consumable water, the Companies have agreed to own and utilize these facilities for their joint purposes in the future.

NOTE 15 – POST-EMPLOYMENT BENEFITS

On August 5, 2003, the District adopted a Separation Benefit available to all qualifying full-time employees of the District who were employed as of June 1, 2003 or are hereafter employed by the District. This benefit shall be applicable to all qualifying full-time employees of the District, not including independent contractors or retained professionals, irrespective of the reason for such qualified employee’s respective separation of employment from the District.

To qualify for this Separation Benefit, the full-time employee shall have been continuously employed by the District for not less than five (5) years. Upon separation of employment after not less than five (5) years of service, a qualified employee shall be entitled to an additional compensation benefit calculated as equal to one week’s salary, as of date of separation, for each full completed year of service.

If the Separation Benefit payable exceeds the amount a qualified employee’s then existing weekly wage would have been at date of separation for a period of thirteen (13) weeks, then the benefit payable shall be made in regular quarterly installments, commencing within one (1) quarter after separation and continuing quarterly thereafter until paid in full.

Regular deduction for payroll taxes, social security, medicare and other mandated withholdings shall apply to the payment of any Separation Benefit payable.

As of December 31, 2019, and 2018, the Separation Benefit payable was \$109,747 and \$98,981, respectively.

NOTE 16 – ECONOMICS DEPENDENCY

The past water years were universally recognized in Colorado as some of the driest years on record in the last 300 years.

NOTE 17 – SHORT-TERM DEBT

The District had no short-term debt obligations and had no borrowing during the years ending December 31, 2019 and 2018.

	12/31/2018	Additions	Reductions	12/31/2019
Short-Term Debt	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

Other Debt and Line of Credit

The District has no other debt or unused lines of credit.

THE HENRYLYN IRRIGATION DISTRICT

Notes to the Basic Financial Statements

December 31, 2019

NOTE 18 – SUBSEQUENT EVENTS

The District has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through May 27, 2020, the date on which the financial statements were issued, and did identify events or transactions that would have a material impact on the financial statements.

A court case arose out of an ownership dispute over land under Frazier Reservoir, a piece of land where excess water and debris from the nearby irrigation canal is discharged. On March 2, 2020, the Weld District Court awarded the Defendants attorney fees in the amount of \$111,793 and costs in the amount of \$27,575, for a total award of \$139,368.

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic and then on March 13, 2020, President Trump declared a nationwide emergency pursuant to Sec. 501(b) of the Stafford Act. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the District, the impact of COVID-19 could be a potential decline or reduction in oil and gas royalties and sale of water revenues in 2020. The financial impact is not reflected in the financial statements as of and for the year ended December 31, 2019 as these events occurred subsequent to year end. However, the full impact of COVID-19 is unknown and cannot be reasonable estimated as these events occurred subsequent to year end and are still developing.

REQUIRED SUPPLEMENTAL INFORMATION

THE HENRYLYN IRRIGATION DISTRICT

Schedule of Revenues

Budget to Actual - Operating Fund

Year Ended December 31, 2019

With Comparative Actual Amounts For the Year Ended December 31, 2018

Non-GAAP Budgetary Basis	2019			Variance - Favorable (Unfavorable)	2018 Actual
	Original Budget	Final Budget	Actual		
Revenues:					
Operating Revenues:					
Assessments:					
Assessments - current	\$ 585,991	\$ 585,991	\$ 583,374	\$ (2,617)	\$ 582,491
Prior year assessments	-	-	3,080	3,080	5,959
Total Assessments	585,991	585,991	586,454	463	588,450
Other Operating Revenues:	-	-	-	-	-
Total Operating Revenues	585,991	585,991	586,454	463	588,450
Miscellaneous Revenues:					
Augmentation water - Central					
Colorado Water Conservancy District	1,000	1,000	1,000	-	27,746
5K Water Agreement	505,189	505,189	510,000	4,811	499,333
Sale of water	500,000	500,000	3,190,877	2,690,877	1,550,155
Maintenance reimbursements	1,716	1,716	1,716	-	1,716
Lease - Farmers Gun Club	175,874	175,874	175,874	-	170,752
Lease - Oil & gas	10,000	10,000	8,389	(1,611)	-
Rentals	-	-	-	-	-
Permits	20,000	20,000	277,334	257,334	428,533
Proceeds from sale of assets	10,000	10,000	68,430	58,430	23,545
Oil royalties	6,000	6,000	34,248	28,248	18,536
Other income	15,000	15,000	101,314	86,314	12,605
Loan proceeds	-	-	-	-	-
Total Miscellaneous Revenues	1,244,779	1,244,779	4,369,182	3,124,403	2,732,921
Investment Income:					
Interest income	3,000	3,000	5,146	2,146	7,160
Dividend income	-	-	129,169	129,169	64,425
Net increase (decrease) in the fair value of investments	-	-	-	-	-
Total investment income	3,000	3,000	134,315	131,315	71,585
Total Revenues	\$ 1,833,770	\$ 1,833,770	\$ 5,089,951	\$ 3,256,181	\$ 3,392,956

THE HENRYLYN IRRIGATION DISTRICT

Schedule of Expenditures

Budget to Actual - Operating Fund

Year Ended December 31, 2019

With Comparative Actual Amounts For the Year Ended December 31, 2018

Non-GAAP Budgetary Basis	2019				2018 Actual
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	
Expenditures:					
Administrative and General:					
Canal and Reservoir expenses:					
O'Brian Canal	\$ 85,000	\$ 85,000	\$ 253,348	\$ (168,348)	\$ 140,749
Denver Hudson Canal	100,000	100,000	32,929	67,071	60,000
Other Laterals:					
Repairs and maintenance	100,000	100,000	5,033	94,967	56,759
Horsecreek Reservoir:					
Electricity	4,000	4,000	2,601	1,399	3,890
Repairs and maintenance - house	-	-	-	-	-
Repairs and maintenance - dike	50,000	50,000	8,570	41,430	7,822
Prospect Reservoir:					
Electricity	3,000	3,000	2,144	856	2,259
Repairs and maintenance - dike	50,000	50,000	11,052	38,948	15,973
Lord Reservoir	5,000	5,000	132	4,868	1,404
Office salaries	510,000	510,000	499,426	10,574	480,587
Office expenses	30,000	30,000	25,471	4,529	22,916
Other labor	2,000	2,000	-	2,000	-
Materials and supplies	10,000	10,000	12,628	(2,628)	7,780
Director salaries	7,200	7,200	6,800	400	7,200
Payroll taxes	42,000	42,000	39,369	2,631	38,644
Employee group insurance	100,000	100,000	102,489	(2,489)	103,621
Employee benefit programs	25,000	25,000	9,000	16,000	10,000
Equipment costs:					
Repairs and maintenance	30,000	30,000	60,605	(30,605)	28,979
Gas and oil	45,000	45,000	43,704	1,296	47,341
Vehicle licenses	6,500	6,500	5,872	628	6,671
Water assessments	22,000	22,000	22,793	(793)	21,339
Water leases	25,000	25,000	-	25,000	113,005
Engineering	200,000	200,000	246,377	(46,377)	191,018
Audit	10,000	10,000	10,475	(475)	9,975
Legal	300,000	300,000	361,830	(61,830)	351,339
Professional services	5,000	5,000	18,297	(13,297)	18,281
Insurance and bonds	70,000	70,000	59,676	10,324	67,143
County Treasurer's fee	100	100	100	-	100
Pumping expense	15,000	15,000	37,855	(22,855)	-
Weed control	30,000	30,000	32,177	(2,177)	23,737
Other expenses	30,000	30,000	29,248	752	52,041
Crop damages	5,000	5,000	-	5,000	-
Total Administrative and General	1,916,800	1,916,800	1,940,001	(23,201)	1,890,573
Capital Outlay	800,000	1,160,376	484,560	675,816	1,394,397
Debt Service:					
Principal payments on debt	50,113	50,113	50,113	-	49,252
Interest paid	28,564	28,564	28,117	447	28,987
Total Debt Service	78,677	78,677	78,230	447	78,239
Total Expenditures	\$ 2,795,477	\$ 3,155,853	\$ 2,502,791	\$ 653,062	\$ 3,363,209

THE HENRYLYN IRRIGATION DISTRICT

Reconciliation of Budgetary Basis to GAAP Basis

Budget to Actual - Operating Fund

Year Ended December 31, 2019

With Comparative Actual Amounts For the Year Ended December 31, 2018

2019

<i>Non-GAAP Budgetary Basis</i>	2019				2018 Actual
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues:					
Operating revenues	\$ 585,991	\$ 585,991	\$ 586,454	\$ 463	\$ 588,450
Miscellaneous revenues	1,244,779	1,244,779	4,369,182	3,124,403	2,732,921
Investment income	3,000	3,000	134,315	131,315	71,585
Total Revenues	1,833,770	1,833,770	5,089,951	3,256,181	3,392,956
Expenditures:					
Administrative and general	1,916,800	1,916,800	1,940,001	(23,201)	1,890,573
Capital outlay	800,000	1,160,376	484,560	675,816	1,394,397
Debt service	78,677	78,677	78,230	447	78,239
Total Expenditures	2,795,477	3,155,853	2,502,791	653,062	3,363,209
Excess (Deficiency) of Revenues over Expenditures	\$ (961,707)	\$ (1,322,083)	2,587,160	\$ 3,909,243	29,747
Reconciliation of Budgetary Basis to GAAP Basis:					
Capital asset purchases capitalized			484,560		1,394,397
Capital assets sold			-		-
Depreciation expense			(403,872)		(386,711)
Long-term debt payments			50,113		49,252
Long-term debt proceeds			-		-
Net Change in Net Position			\$ 2,717,961		\$ 1,086,685