
Sheridan Lake Water District

Financial Statements
with
Independent Auditor's Report

For the Year Ended
December 31, 2020

*r*farmer, llc
a certified public accounting and consulting firm

**Sheridan Lake Water District
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December 31, 2020**

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Independent Auditor's Report

Board Members Sheridan Lake Water District
Sheridan Lake, Colorado

We have audited the accompanying financial statements of the business-type activities of the Sheridan Lake Water District (the "District"), as of and for the year ended December 31, 2020, 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 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 on 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 business-type activities of the District as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budget to actual information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

December 31, 2021

Sheridan Lake Water District
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-Type Activities Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 100,752
Accounts receivable, net	2,762
Other receivables	312,084
Total current assets	415,598
Non-current assets:	
Capital Assets:	
Water system	310,835
Construction in progress	1,506,746
Less Accumulated depreciation	(75,982)
Total non-current assets	1,741,599
Total assets	2,157,197
LIABILITIES	
Current Liabilities:	
Accounts payable	369,958
Deferred revenue	5,000
Notes payable	5,531
Total current liabilities	380,489
Non-current liabilities:	
Notes payable	110,000
Total non-current liabilities	110,000
Total liabilities	490,489
Net Position	
Net investment in capital assets	1,626,068
Unrestricted	40,640
Total Net Position	\$ 1,666,708

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

Sheridan Lake Water District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2020

	Business-Type Activities Enterprise Fund
REVENUES	
Charges for services	\$ 37,642
Total operating revenues	37,642
OPERATING EXPENSES	
Administration	2,042
Supplies	12,499
Utilities	5,341
Repairs and maintenance	13,159
Insurance expense	2,298
Miscellaneous expenses	4,117
Depreciation	20,722
Total Operating Expenses	60,178
Operating income (loss)	(22,536)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	487
Miscellaneous revenue--sewer tap fees	300
Construction grants	1,009,108
Total non-operating revenue (expenses)	1,009,895
Income (loss) before contributions and transfers	987,359
Change in Net Position	987,359
Total Net Position - beginning	679,349
Total Net Position - ending	\$ 1,666,708

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

Sheridan Lake Water District
Statement of Cash Flows
Business-Type Activities
For the year ended December 31, 2020

	Business-Type Activities <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charges for services	\$ 38,671
Cash payments to suppliers for goods & services	<u>(32,427)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,244</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:	
Tap fees	300
Grant and loan proceeds	1,365,919
Long term debt paid	(3,208)
Construction of assets	<u>(1,373,167)</u>
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(41,044)
Maturity of investments	47,546
Interest Received on Investments	<u>487</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,989</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	3,077
Cash & Cash Equivalents:	
Beginning of Year	<u>97,675</u>
End of Year	<u><u>\$ 100,752</u></u>

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

Sheridan Lake Water District
 Statement of Cash Flows
 Business-Type Activities
 for the year ended December 31, 2020
 (Continued)

	Business-Type Activities Enterprise Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (22,536)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation & Amortization	20,722
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts receivables	1,029
Increase (Decrease) in Accounts payable	7,029
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 6,244

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

Sheridan Lake Water District
Notes to Basic Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

The Sheridan Lake Water District (the “District”) was created to provide water services to those residents within the District’s boundaries. The District is governed by a board president and a four-member board.

The accounting policies of the District conform to generally accepted accounting principles as applicable to government entities. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments, footnotes, and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organizations governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District.

Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

Fund Financial Statements

The District has one business-type fund which is the Enterprise Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Proprietary (Enterprise) funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All

revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the District reports the following major proprietary fund:

The *Water Fund* accounts for the financial activities associated with the provision of water services to District residents.

Assets, Liabilities, and Net Position/Fund Balance

Cash Equivalents – Cash equivalents include investments with original maturities of three months or less. Investments in pooled cash are considered cash equivalents.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets – Capital assets, which include water system assets purchased since January 1, 2004, are reported in the applicable business-type fund. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Water System	15 years
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The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted amounts first, followed by committed, assigned, and unassigned amounts.

Note 2: Cash and Investments

Cash and investments on December 31, 2020, consisted of the following:

Cash Deposits	\$ 100,752
Total	<u>\$ 100,752</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

On December 31, 2020, the District's cash balances were secured by FDIC.

Investments

The District is required to comply with State statutes which specify the investments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk – State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk – State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk – Except for corporate securities, State statutes do not limit the amount the District may invest in any single investment or issuer.

GASB 72 Disclosure Requirement for COLOTRUST – COLOTRUST measures its investments a fair market value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant’s investment in COLOTRUST is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a (2) of Statement 72.

Credit Quality Disclosure – COLOTRUST PLUS+ and COLOTRUST PRIME are rated by S&P Global Ratings. The current rating is ‘AAAm.’

Interest Rate Risk Disclosure – The dollar weighted average days to maturity (WAM) of COLOTRUST PLUS+ on December 31, 2020, is 51 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PLUS+ on December 31, 2020, is 80 days. The dollar weighted average days to maturity (WAM) of COLOTRUST PRIME on December 31, 2020, is 13 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PRIME on December 31, 2020, is 92 days.

Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2020, is summarized below:

Business-Type Activities	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
<i>Capital Assets, Being Depreciated:</i>				
Water System	\$ 310,835	\$ -	\$ -	\$ 310,835
<i>Less Accumulated Depreciation</i>				
Water System	(55,260)	(20,722)	-	(75,982)
<i>Capital Assets, Being Depreciated, net</i>	<u>\$ 255,575</u>	<u>\$ (20,722)</u>	<u>\$ -</u>	<u>\$ 234,853</u>
Construction in Progress	<u>\$ 356,889</u>	<u>\$ 1,149,857</u>	<u>\$ -</u>	<u>\$ 1,506,746</u>

Depreciation expense was charged to functions/programs of the District as follows:

Business-Type Activities:	
Water System	<u>\$ 20,722</u>

Note 4: Long-Term Obligations

During 2020, the District entered into a loan agreement with Colorado Water Resources and Power Development Authority for the purpose of providing funding for a new water system to serve the users within the District’s boundaries. The loan calls for semi-annual payments to be made May 1st and November 1st of each year until paid in full. The interest charged on the loan is 0.500% annually for a term of 30 years. The collateral for the loan is the net revenue as more fully described in the loan agreement.

Following are the changes to long-term debt for the year ended December 31, 2020:

	<u>Balance 12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/20</u>
CWRPDA Note Payable	\$ -	\$ 118,739	\$ (3,208)	\$ 115,531

Future debt service requirements are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,531	\$ 853	\$ 6,384
2022	5,559	825	6,384
2023	5,587	797	6,384
2024	5,615	769	6,384
2025	5,644	740	6,384
2026-2030	28,663	3,257	31,920
2031-2035	29,365	2,555	31,920
2036-2040	30,109	1,811	31,920
2041-2045	30,900	1,020	31,920
2046-2049	25,257	279	25,536
Total	<u>\$ 172,230</u>	<u>\$ 12,906</u>	<u>\$ 185,136</u>

Not all loan proceeds were received as of December 31, 2020. The difference between the principal balance of \$172,140 and \$115,531 was received during 2021.

The note requires that the District collect enough fees to pay the estimated operation and maintenance expenses as defined in the loan agreement, plus a sum equal to 110% of the debt service due in the following year, plus and amounts to create and fund any debt service reserve account in connection with any obligations secured by a lien on the pledged property.

This District was not in compliance with this provision as of December 31, 2020.

Note 5: 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 natural disasters. The District purchases commercial insurance to provide various coverages.

Note 6: Commitments and Contingencies

Claims and Judgements

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. Management believes that additional disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

The District does not believe that it is subject to the TABOR requirement.

Sheridan Lake Water District
Budget and Actual
Water Fund
For the year ended December 31, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis
	Original	Final	
REVENUES			
Charges for Services	\$ 28,000	\$ 28,000	\$ 37,642
Investment earnings	430	430	487
Grants received	1,553,334	1,553,334	1,009,108
Sewer tap fees	-	-	300
Total revenues	<u>1,581,764</u>	<u>1,581,764</u>	<u>1,047,537</u>
EXPENDITURES			
Administration	6,660	6,660	2,042
Supplies	5,000	5,000	12,499
Utilities	5,000	5,000	5,341
Repairs and maintenance	14,000	14,000	13,159
Insurance expense	2,500	2,500	2,298
Capital Outlay	1,553,334	1,553,334	1,312,130
Miscellaneous	2,500	2,500	4,117
Total Expenditures	<u>1,588,994</u>	<u>1,588,994</u>	<u>1,351,586</u>
Operating income (loss)	<u>(7,230)</u>	<u>(7,230)</u>	<u>(304,049)</u>
Change in Net Position, Budgetary Basis	(7,230)	(7,230)	(304,049)
Beginning balance	102,552	102,522	679,349
Ending balance	<u>\$ 95,322</u>	<u>\$ 95,292</u>	375,300
ADJUSTMENTS to GAAP BASIS			
Capital Outlay			1,312,130
Depreciation			(20,722)
Change in Net Position, GAAP Basis			<u>\$ 1,666,708</u>