

CITY OF SHERIDAN
BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Sheridan, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Sheridan, Colorado (City) as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

We did not audit the financial statements of the Sheridan Housing Authority, which represents 100% of the City's discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the discretely presented component unit, insofar as it relates to the amounts included for the Sheridan Housing Authority, is based solely on the report of the other auditors.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sheridan, Colorado as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, an adjustment was made to the beginning net position balance of governmental activities to correct errors in the prior year financial statements due to accrued interest on long-term debt. Our opinions were not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and GASB required pension schedules as listed in the table of contents 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 and other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, Local Highway Finance Report, Schedule of Expenditures of Federal Awards, and SEC Rule 15c2-12 continuing disclosures, are presented for purposes of additional analysis and legal compliance and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, Local Highway Finance Report, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The SEC Rule 15c2-12 continuing disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The Adams Group, LLC

July 7, 2021
Denver, Colorado

CITY OF SHERIDAN MANAGEMENTS' DISCUSSION & ANALYSIS

This discussion and analysis of the City of Sheridan's (City) financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the City's financial statements. This report also contains other supplementary information in addition to the basic statements themselves.

Financial Highlights

- The ending net position of the City at the close of 2020 was (\$87,614,911) an increase of 2.63% from 2019. This deficit is related to the issuance of Tax Increment Bonds by the Sheridan Redevelopment Agency (SRA) that were used to support the River Point redevelopment project, which will be repaid through future sales tax and PIF revenues.
- At December 31, 2020, the City's governmental funds reported a combined ending fund balance of \$23,221,150 including the SRA and a fund balance of \$11,958,595 without the SRA. Of the non-SRA balance, \$7,498,671 is available for spending at the City's discretion (unassigned fund balance).
- The unassigned fund balance for the General Fund of \$7,498,671 is 63.82% of the total General Fund expenditures, up 17.71% from last year's balance of \$6,370,293.
- Sales Tax Revenue for the General Fund, the City's largest source of general revenue was \$4,471,942 for 2020 as compared to \$4,095,510 for the prior year, an increase of 9.19%. The increase is due to new retail marijuana shops being fully opened and to increased sales in existing retail outlets.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets and liabilities, with the difference between the two 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 City is improving or deteriorating.

The **statement of activities** reflects how the City's net position changes 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 related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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. The Governmental activities of the City include general government, public safety (police & fire), streets, code enforcement, planning and economic development, and parks.

Fund Financial Statements

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end are available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides.

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 impact 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*.

Proprietary funds – The *enterprise fund* type of proprietary funds is used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as a statement of cash flows. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-38 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's defined benefit plans.

The combining statements, referred to earlier in connection with non-major Governmental Funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules and be found on pages 39-46 of this report.

The Sheridan Redevelopment Agency is a component unit and the Sheridan Housing Authority is a discretely presented component unit each with their own audits. For additional information readers should refer to those separately issued financial statements.

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, ending net position was (\$84,614,911) on a combined basis at the close of 2020. The SRA accounting for (\$21,930,628) and the City \$37,365,717.

City of Sheridan, Colorado
Condensed Statement of Net Position
December 31,

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	\$ 29,894,423	\$ 29,149,388	\$ (43,884)	\$ (30,501)	\$ 29,850,539	\$ 28,117,887
Noncurrent assets						
Capital assets, not depreciated	773,812	773,812	-	-	773,812	773,812
Capital assets, net of depreciation	48,655,175	50,270,956	7,150,636	7,114,196	55,805,811	57,685,152
Net pension asset	288,754	-	-	-	288,754	-
Total Assets	79,530,184	79,193,156	7,106,752	7,363,695	86,636,916	86,576,851
Deferred Outflows of Resources						
Pension related deferred outflow	1,433,741	1,703,867	-	-	1,433,741	1,703,867
Deferred charge on refunding	4,645,782	5,170,990	-	-	4,645,782	5,170,990
Deferred derivative instruments	10,826,290	9,235,433	-	-	10,826,290	9,235,433
Total Deferred Outflows of Resources	16,877,513	16,110,290	-	-	16,877,513	16,110,290
Liabilities						
Current liabilities	1,128,261	962,893	1,080	3,569	1,139,351	966,482
Noncurrent liabilities	180,892,384	182,751,781	-	-	180,892,384	182,751,781
Total Liabilities	182,020,645	183,714,674	1,080	3,569	182,031,735	183,716,265
Deferred Inflows of Resources						
Pension related deferred inflow	319,276	60,415	-	-	319,276	60,415
Unavailable revenue, property taxes	5,838,327	5,808,471	-	-	5,838,327	5,808,471
Total Deferred Inflows of Resources	6,157,603	5,868,916	-	-	6,157,603	5,868,916
Net Position						
Net investment in capital assets	17,907,286	18,530,012	7,150,636	7,414,196	25,057,904	25,934,208
Restricted						
Reserve/Emergencies	434,648	373,000	-	-	434,648	373,000
Debt service	11,765,426	12,055,690	-	-	11,765,426	12,055,690
Capital projects	1,294,366	995,316	-	-	1,294,366	995,316
Storm water	-	-	28,812	28,638	28,812	28,638
Parks and open space	908,196	761,758	-	-	908,196	761,758
Unrestricted	(124,020,477)	(127,045,920)	(83,786)	(62,728)	(124,104,263)	(127,138,646)
Total Net Position	\$ (91,110,573)	\$ (94,230,144)	\$ 7,095,662	\$ 7,360,106	\$ (84,014,911)	\$ (86,900,036)

The City's net investment in capital assets (e.g. land, buildings, infrastructure, vehicles, equipment, etc.) is 66.95% of the City's net position. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

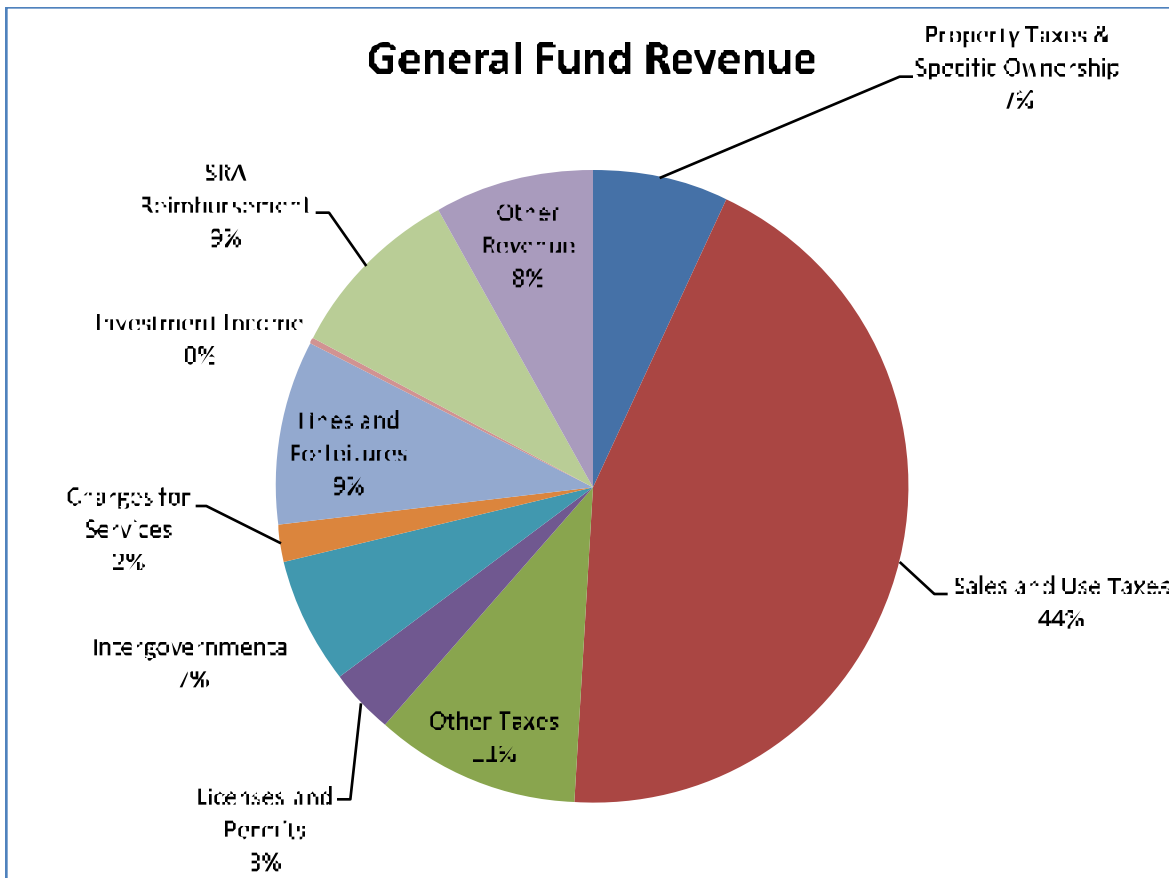
City of Sheridan, Colorado
Condensed Statement of Activities
December 31,

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 1,688,581	\$ 2,123,818	\$ 99,667	\$ 90,609	\$ 1,868,018	\$ 2,514,257
Operating Grants and Contributions	811,064	58,946	-	-	811,064	58,946
Capital Grants and Contributions	1,113,731	1,154,054	-	-	1,113,731	1,154,051
Total Program Revenues	4,113,168	3,856,848	99,667	90,609	4,212,836	3,727,257
General Revenues						
Taxes	18,178,973	18,775,045	-	-	18,178,973	18,775,045
Investment Earnings	115,575	509,302	174	1,532	115,519	510,831
Other Revenues	3,928,505	3,888,803	-	-	3,928,505	3,888,803
Transfers	34,373	(3,478,028)	(34,373)	3,478,028	-	-
Total General Revenues	23,257,426	19,494,822	(34,199)	3,479,560	23,223,227	22,974,482
Total Revenues	27,370,594	23,351,670	65,468	3,570,169	27,436,063	26,701,739
Program Expenses						
General Government	2,819,171	2,329,009	-	-	2,819,171	2,329,009
Public Safety	7,245,048	7,350,066	-	-	7,245,048	7,350,066
Public Works	2,723,705	2,164,873	-	-	2,723,705	2,164,873
Community Development	441,023	494,585	-	-	441,023	494,585
Parks and Open Space	1,292,760	547,857	-	-	1,292,760	547,957
Redevelopment Projects	124,877	103,316	-	-	124,877	103,316
Stormwater Operations	-	-	349,912	361,209	349,912	361,209
Interest on Long-Term Debt	8,266,151	8,260,860	-	-	8,266,151	8,260,860
Total Program Expenses	22,912,760	21,570,666	349,912	361,209	23,262,872	21,931,835
Change in Net Position	4,457,635	1,560,964	(284,444)	3,208,960	4,173,191	1,769,841
Net Position, Beginning (as Restated)	(98,168,208)	(95,841,328)	7,380,106	4,171,148	(88,788,102)	(91,670,882)
Net Position, Ending	\$ (93,710,573)	\$ (94,280,364)	\$ 7,095,662	\$ 7,380,108	\$ (84,614,911)	\$ (89,900,038)

Governmental Activities

Governmental activities increased the City's net position by \$4,457,635.

The following pie chart illustrates the General Fund revenues:



Property taxes increased in 2020 by 11.32%. This was due to an increase in assessed valuation. Sales & Use Taxes increased by 9.46% due to new retail marijuana shops being fully opened and to increased sales in existing retail outlets.

Business-type activities

The Storm Water Enterprise Fund had \$99,667 in revenue. Storm water also had \$349,912 in expenses. The ending fund balance for 2020 was \$7,095,662.

Financial Analysis of the City's Funds

The City of Sheridan uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of 2020, the City's General Fund reported an ending fund balance of \$8,181,181, an increase of \$1,243,709 in comparison with the previous year. This increase was primarily due to the increase in sales

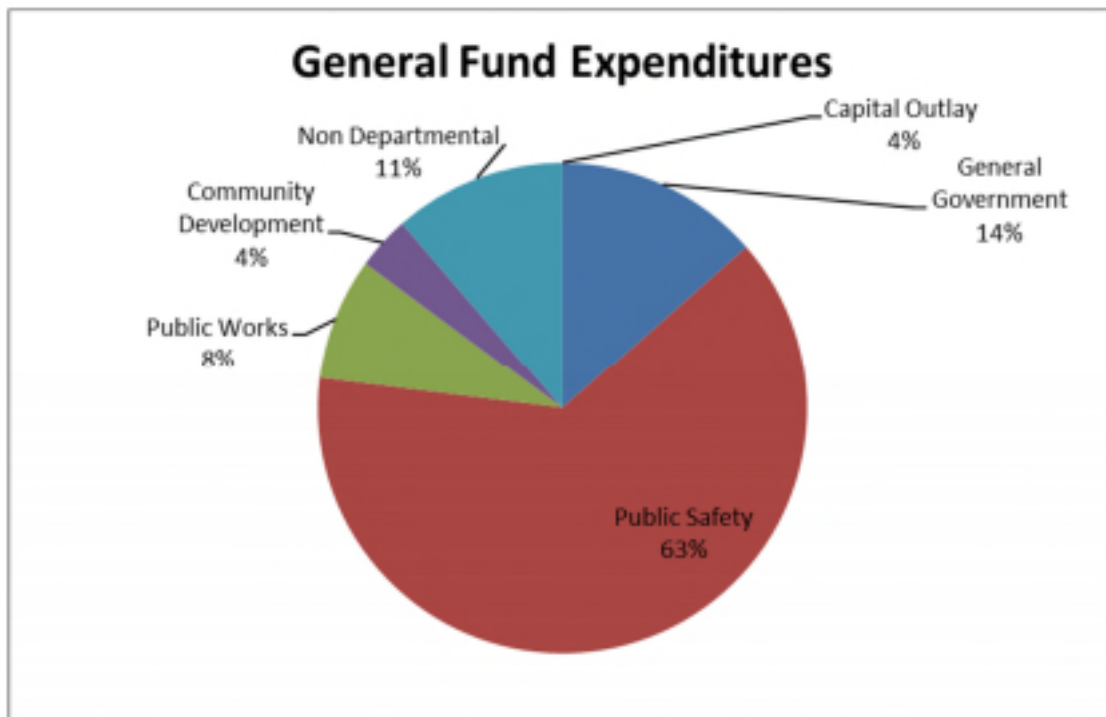
and use taxes and public safety expenditures coming in under budget. Ninety-one percent of the total fund balance of \$7,498,671 represents the unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted for emergencies (\$434,648) and prepaid items (\$251,165).

Proprietary Funds

The City's proprietary funds provide the same type of information found in the business-type activities sections of the government-wide financial statements, but in more detail. Ending net position of the Storm Water Enterprise is \$7,095,662.

General Fund Budgetary Highlights

The General Fund accounts for all of the general government services provided by the City of Sheridan including, City Council, Municipal Court, Community Development, City Clerk, Administration, Public Safety, Public Works and Non Departmental expenditures. The following pie chart illustrates the General Fund Expenditure by type:



Line item budget transfers are allowed within a fund with the approval of the City Manager. Increases in the expenditure budget for any fund must be approved by City Council. The General Fund original budgeted expenditures were \$11,196,933 and final budgeted expenditures were \$11,646,803. Total General Fund expenditures were \$10,960,447, which is within the budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The City of Sheridan's investments in capital assets for its governmental activities as of December 31, 2020 totaled \$49,426,987 (net of accumulated depreciation). This investment in capital assets includes land and easements, building and improvements, infrastructure, machinery and equipment, computers and software, and vehicles. The City's investment in governmental capital assets decreased by 3.2% and this decrease was due to depreciation.

Long-term Debt

In November 2015 the voters approved the City to issue \$31 million in bonds for street and infrastructure improvements. In 2020 \$735,000 in principal was paid for a remaining balance of \$27,820,000. In 2014, the City entered into a new capital lease for the purchase of several pieces of public works equipment totaling \$206,655. Payments made on the Capital Lease totaled \$41,649. The total remaining principal obligation is \$87,390. Of this debt, \$42,998 is due within one year.

Compensated absences increased by \$45,883 for a total of \$327,841. Compensated absences are expected to be liquidated with revenues of the General Fund.

Note 5 of the financial statements provide a more in-depth summary of the City's long-term debt.

Economic Factors and Next Year's Budget and Rates

With projected revenues increasing slightly, the City still continues to use a cautious approach both in estimating anticipated revenue and incurring actual expenditures.

The Sheridan Redevelopment Agency River Point project is progressing. New businesses opened in River Point in 2019 and are expected to continue to open until the space in River Point is completely occupied.

City General Fund expenditures for 2021 are estimated at \$12,269,994 and the Sheridan Redevelopment Agency's are estimated at \$1,436,713.

Request for Information

The financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. Questions concerning any of the information provided in the report or additional financial information should be addressed to the Finance Director at the City of Sheridan, 4101 S. Federal Blvd., Sheridan, CO 80110 or by calling 303-762-2200.

BASIC FINANCIAL STATEMENTS

CITY OF SHERIDAN, COLORADO
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
<u>Assets</u>				
<u>Current Assets</u>				
Cash and investments	\$ 10,757,442	\$ 28,812	\$ 10,786,254	\$ 381,101
Restricted cash and investments	11,099,678	-	11,099,678	-
Accounts receivable	26,000	16,287	42,287	3,067
Intergovernmental receivables	378,021	-	378,021	-
Taxes receivable	7,290,306	-	7,290,306	-
Prepaid items	251,165	2,828	253,993	-
Capital assets, not depreciated	773,812	-	773,812	-
Capital assets, net of depreciation	48,653,175	7,150,636	55,803,811	-
Net pension asset	268,754	-	268,754	-
Internal balances	91,311	(91,311)	-	-
Total Assets	<u>79,590,161</u>	<u>7,106,752</u>	<u>86,696,916</u>	<u>384,168</u>
<u>Deferred Outflows of Resources</u>				
Related to pension	1,403,741	-	1,403,741	-
Deferred charge on refunding	4,645,482	-	4,645,482	-
Deferred derivative instruments	10,828,290	-	10,828,290	-
Total Deferred Outflows of Resources	<u>16,877,513</u>	<u>-</u>	<u>16,877,513</u>	<u>-</u>
<u>Liabilities</u>				
Accounts payable	430,440	11,090	441,530	130,696
Unearned revenues	105,021	-	105,021	18,440
Accrued remarketing fees	5,680	-	5,680	-
Accrued facility fees	130,620	-	130,620	-
Accrued interest payable	293,315	-	293,315	-
Other liabilities	158,666	-	158,666	6,134
Due to other governments	4,519	-	4,519	-
<u>Noncurrent Liabilities</u>				
Due within one year	10,771,946	-	10,771,946	-
Due in more than one year	158,780,062	-	158,780,062	-
Net Pension liability	512,086	-	512,086	-
Liability for derivative instruments	10,828,290	-	10,828,290	-
Total Liabilities	<u>182,020,645</u>	<u>11,090</u>	<u>182,031,735</u>	<u>155,270</u>
<u>Deferred Inflows of Resources</u>				
Related to pension	319,278	-	319,278	-
Unavailable revenue - property taxes	5,838,327	-	5,838,327	-
Total Deferred Inflows of Resources	<u>6,157,605</u>	<u>-</u>	<u>6,157,605</u>	<u>-</u>
<u>Net Position</u>				
Net investment in capital assets	17,907,268	7,150,636	25,057,904	-
Restricted:				
Net pension asset	268,754	-	268,754	-
Emergencies	434,648	-	434,648	-
Debt service	11,765,426	-	11,765,426	-
Capital projects	1,294,366	-	1,294,366	-
Open space	908,196	-	908,196	-
Stormwater	-	28,812	28,812	-
Housing	-	-	-	3,077
Unrestricted (deficit)	(124,289,231)	(33,786)	(124,373,017)	223,821
Total Net Position	<u>\$ (91,710,573)</u>	<u>\$ 7,095,662</u>	<u>\$ (84,614,911)</u>	<u>\$ 228,898</u>

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

**CITY OF SHERIDAN, COLORADO
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Function/Programs	Program Revenues			Primary Government		Component Unit	
	Expenses	Charges for Services	Operating Fees and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
Governmental Activities							
General government	\$ 7,819,174	\$ 591,108	\$ 771,769	\$ -	\$ (1,656,207)	\$ -	\$ (1,656,207)
Public safety	7,245,078	1,313,277	39,255	-	(5,892,189)	-	(5,892,189)
Public works	2,723,05	-	-	32,793	(2,690,912)	-	(2,690,912)
Community development	441,023	83,999	-	-	(257,024)	-	(257,024)
Parks and open space	1,292,780	-	-	1,380,941	88,167	-	88,167
Redevelopment projects	124,877	-	-	-	(24,877)	-	(24,877)
Interest and fiscal charges	8,266,151	-	-	-	(8,266,151)	-	(8,266,151)
Total Governmental Activities	22,912,760	1,885,381	811,054	1,473,734	(18,792,591)	-	(18,792,591)
Business-Type Activities							
Stormwater Operations	349,912	99,667	-	-	(250,245)	-	(250,245)
Total Primary Government	\$ 23,262,672	\$ 1,985,048	\$ 811,054	\$ 1,473,734	(18,792,591)	(250,245)	(19,042,836)
Component Unit							
Housing Authority	\$ 2,276,510	\$ -	\$ 2,301,319	\$ -	\$ 5,716,267	\$ -	\$ 27,509
General Revenues							
Property taxes					212,733		5,716,267
Specific ownership taxes					11,030,730		212,733
Sales and use taxes					324,759		1,030,730
Franchise taxes					377,338		324,759
Occupational privilege tax					567,098		377,338
Other taxes					115,375		567,098
Investment earnings					1/4		115,375
Other revenue					(37,373)		3,978,505
Transfers					(3,199)		37,373
Total General Revenues					23,257,226		23,257,226
Change in Net Position					4,457,635		4,457,635
Net Position, Beginning (as Restated)					(96,688,208)		(88,788,102)
Net Position, Ending					\$ (91,710,573)		\$ (81,614,911)

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

CITY OF SHERIDAN, COLORADO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Sheridan Redevelopment Agency Fund	Debt Service Fund	Other Governmental Fund	Totals
Assets					
Cash and investments	\$7,567,992	\$ 641,251	\$1,571,549	\$ 976,650	\$10,757,442
Restricted cash and investments	-	9,790,184	-	1,309,494	11,099,678
Accounts receivable	26,000	-	-	-	26,000
Taxes receivable	1,282,564	4,069,378	1,938,364	-	7,290,306
Prepaid items	251,165	-	-	-	251,165
Intergovernmental receivables	140,266	-	-	337,755	378,021
Due from other funds	259,857	-	-	-	259,857
Total Assets	\$9,527,841	\$ 14,500,813	\$3,509,913	\$ 2,523,899	\$ 30,062,466
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 178,889	\$ 13,796	\$ -	\$ 337,755	\$ 430,440
Other liabilities	158,666	-	-	-	158,666
Accrued facility fees	-	130,620	-	-	130,620
Accrued remarketing fees	-	5,680	-	-	5,680
Unearned revenue	35,841	780	-	68,400	105,021
Due to other governments	-	4,519	-	-	4,519
Due to other funds	141,914	10,947	-	15,182	168,043
Total Liabilities	515,310	166,342	-	321,337	1,002,989
Deferred Inflows of Resources					
Unavailable revenue – property taxes	828,047	1,071,916	1,938,364	-	5,838,327
Fund Balance					
Nonspendable					
Prepaid items	251,165	-	-	-	251,165
Restricted					
Debt service	-	10,487,192	1,571,549	-	12,058,741
Capital projects	-	-	-	1,294,366	1,294,366
Emergencies	434,648	-	-	-	434,648
Parks and open space	-	-	-	908,196	908,196
Assigned for:					
Redevelopment Authority	-	775,363	-	-	775,363
Capital projects	-	-	-	-	-
Unassigned	7,498,671	-	-	-	7,498,671
Total Fund Balance	8,184,484	11,262,555	1,571,549	2,202,562	23,221,150
Total Liabilities, Deferred Inflows of Resources, and Fund Balance					
	\$9,527,841	\$ 14,500,813	\$3,509,913	\$ 2,523,899	\$ 30,062,466

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

CITY OF SHERIDAN, COLORADO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance \$ 23,221,150

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	60,948,892	
Accumulated depreciation	<u>(11,521,905)</u>	49,426,987

Other noncurrent assets and deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds

Net pension asset	268,754	
Deferred outflows of resources - related to pensions	<u>1,403,741</u>	1,672,495

Governmental funds report the effect of deferred charges on debt when it is first issued, whereas these amounts are amortized over the life of the bonds.

4,645,482

Other deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds

Deferred inflows of resources - related to pensions		(319,278)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable - City	(27,820,000)	
Unamortized premium	(3,612,329)	
Bonds payable - SRA	(116,924,856)	
Accreted interest - SRA	(20,779,592)	
Accreted interest	(293,315)	
Net pension liability	(512,086)	
Capital leases payable	(87,390)	
Accrued compensated absences	<u>(327,841)</u>	<u>(170,357,409)</u>

Net Position of Governmental Activities		<u>\$ (91,710,573)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SHERIDAN, COLORADO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Sheridan Redevelopment Agency Fund	Debt Service Fund	Other Governmental Fund	Totals
<u>Revenues</u>					
Taxes	\$ 19,764,488	\$ 9,117,612	\$ 2,084,883	\$ -	\$ 19,178,973
Licenses and permits	427,135	-	-	-	427,135
Inter-governmental	843,847	-	-	1,380,941	2,224,788
Charges for services	748,759	-	-	-	748,759
Fines and forfeitures	1,212,487	-	-	-	1,212,487
Investment earnings	39,971	47,383	16,781	11,290	115,375
Other income	1,052,255	2,872,796	-	-	3,925,051
Total Revenues	21,800,882	12,037,797	2,101,664	1,392,231	27,332,588
<u>Expenditures</u>					
General government	1,483,140	221,013	70,006	-	1,774,159
Public Safety	6,952,830	-	-	36,474	6,989,304
Public Works	892,830	-	-	-	892,830
Community development	383,997	-	-	-	383,997
Non-departmental	1,247,950	-	-	-	1,247,950
Parks, recreation and open space	-	-	-	105,744	105,744
Redevelopment projects	-	124,877	-	-	124,877
Capital outlay	-	-	-	1,585,928	1,585,928
Debt service					
Principal	-	6,353,035	735,000	41,649	7,129,684
Interest	-	4,131,770	1,319,025	4,181	5,454,976
Total Expenditures	10,960,447	10,850,695	2,074,031	1,773,976	25,639,149
Revenues in excess (deficiency of) expenditures	840,435	1,207,096	27,633	(381,745)	1,693,419
<u>Other financing sources (uses)</u>					
Operating Transfers in	1,192,680	-	-	823,779	2,016,459
Operating Transfers out	(789,406)	(1,192,680)	-	-	(1,982,086)
Insurance proceeds	-	-	-	2,454	2,454
Total Other Financing Sources (Uses)	403,274	(1,192,680)	-	827,233	37,827
Change in Fund Balance	1,243,709	14,416	27,633	445,488	1,731,246
Fund Balance, Beginning	6,940,775	11,248,139	1,543,916	1,757,074	21,489,904
Fund Balance, Ending	\$ 8,184,484	\$ 11,262,555	1,571,549	\$ 2,202,562	\$ 23,221,150

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

CITY OF SHERIDAN, COLORADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Amounts reported for governmental activities in the statements of activities are different because:

		Total
Net change in fund balances, total governmental funds	\$	1,731,246
<p>Capital outlays to purchase or build capital assets are reported in governmental funds; however, for governmental activities these costs are capitalized in the statement of net assets and are allocated over their estimated useful lives as annual depreciation.</p>		
Capital outlay	442,786	
Depreciation expense	(2,060,567)	(1,617,781)
<p>Instances of debt are treated as revenues in the governmental funds, but are recorded as liabilities on the statement of net assets. Repayments of this debt are recorded as expenses in the governmental funds and reduce liabilities on the statement of net assets.</p>		
Amortization of loss on refunding	(525,508)	
Bond principal payments	7,088,035	
Bond premium amortization	168,388	
Change in accrued interest	(180,435)	
Change in accreted interest	(2,273,623)	
Capital lease principal payments	41,649	4,318,506
<p>Some expenses reported in the statement of activities do not require or provide current financial resources and therefore are not reported as expenditures in the governmental funds</p>		
Pension income		71,547
<p>Accrued compensated absences are expensed when paid in the governmental funds; however, outstanding balances are shown as liabilities on the statement of net assets and expensed when earned for the statement of activities.</p>		
Change in accrued compensated absences		(45,883)
Change in Net Position of Governmental Activities	\$	4,457,635

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

CITY OF SHERIDAN, COLORADO
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2020

	<u>Storm Water Enterprise</u>
<u>Assets</u>	
Current Assets	
Cash and investments	\$ 28,812
Accounts receivable	16,787
Prepaid expenses	<u>2,828</u>
Total Current Assets	<u>47,927</u>
Noncurrent Assets	
Capital assets being depreciated, net	<u>7,150,636</u>
Total Noncurrent Assets	<u>7,150,636</u>
Total Assets	<u>7,198,563</u>
<u>Liabilities</u>	
Accounts payable	11,090
Due to other funds	<u>91,811</u>
Total Liabilities	<u>102,901</u>
<u>Net Position</u>	
Net investment in capital assets	7,150,636
Restricted	
Stormwater	28,812
Unrestricted	<u>(83,786)</u>
Total Net Position	<u>\$ 7,095,662</u>

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

CITY OF SHERIDAN, COLORADO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2020

	<u>Storm Water Enterprise</u>
<u>Operating Revenues</u>	
User charges and fees	\$ 99,667
Total Operating Revenues	<u>99,667</u>
 <u>Operating Expenses</u>	
Stormwater operations	<u>349,912</u>
Total Operating Expenses	<u>349,912</u>
Operating (loss)	<u>(250,245)</u>
 Nonoperating income (expense)	
Investment income	174
Transfers out	<u>(34,373)</u>
Total nonoperating income (expense)	<u>(34,199)</u>
 Changes in Net Position	(284,444)
 Net Position, Beginning	<u>7,380,106</u>
 Net Position, Ending	<u>\$ 7,095,662</u>

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

CITY OF SHERIDAN, COLORADO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2020

	<u>Storm Water Enterprise</u>
Cash Flows from Operating Activities	
Cash received from tenants and others	\$ 98,793
Cash payments to vendors	<u>(81,679)</u>
Net Cash Used by Operating Activities	<u>17,114</u>
Cash Flows from Non-Capital Financing Activities	
Amounts loaned from other funds	17,259
Cash Flows from Capital Financing Activities	
Amounts transfer to other funds	(34,373)
Cash Flows from Investing Activities	
Interest received	<u>174</u>
Net (Decrease) in Cash and Cash Equivalents	174
Cash and Cash Equivalents, Beginning	<u>28,638</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 28,812</u></u>
Reconciliation of net operating (loss) to net cash (used) by operating activities	
Net operating (loss)	\$ (250,245)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation expense	263,260
Changes in assets and liabilities	
Account receivable	(874)
Prepaid Expenses	(2,828)
Account payable	<u>7,501</u>
Net Cash Used by Operating Activities	<u><u>\$ 17,114</u></u>

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

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Sheridan, Colorado (the "City") was incorporated in April 1890, as a statutory municipality as defined by Colorado Revised Statutes. The City is governed by a seven-member council, two of whom are elected from each of the City's three wards, and a mayor elected from the City at large. The City enacted a Home Rule Charter in 2002.

The accounting policies of the City conform to generally accepted accounting principles as applicable to government entities. The Governmental Accounting Standards 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.

The definition of the reporting entity is based primarily on financial accountability. The City is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the City officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may also be financially accountable for organizations that are fiscally dependent upon it. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Unit

Based on the application of these criteria, the City includes the Sheridan Redevelopment Agency ("SRA") in its reporting entity. The SRA is a component unit, established to redevelop identified areas of blight within the City. The Agency is blended into the City's financial statement as a special revenue fund because the City Council serves as the Board of the Agency and is managed by City staff. The SRA and the City share employees and the City provides certain services to the SRA. For the year ended December 31, 2020, SRA reimbursed the City \$1,192,680 for expenses. Separately issued financial statements can be obtained at the Agency offices, 4101 South Federal Boulevard, Sheridan, Colorado 80110.

Discretely Presented Component Unit

Based upon the application of these criteria, the City includes the Housing Authority of the City of Sheridan ("Housing Authority") in its reporting entity as a discretely presented component unit.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit (Continued)

The Housing Authority was established to provide housing assistance to low-income persons residing in the City of Sheridan. The City Council serves as the Board of the Housing Authority.

Separately issued financial statements, including the reports related to the Housing Authority's Federal Single Audit can be obtained at the Housing Authority offices, 3460 South Sherman Street, Suite 101, Englewood, Colorado 80110.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial position of the governmental and business-type activities of the City at year-end and also presents the financial position of the discretely presented component unit.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund 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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other eligibility requirements have been met. For this purpose, the City considers grant revenues to be susceptible to accrual if collected within 90 days after the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Major Funds - In the fund financial statements, the City reports the following major governmental funds.

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Sheridan Redevelopment Agency* is a blended component unit whose purpose is to develop blighted areas within the City.

The *Debt Service Fund* is used to service the Series 2016 and 2017 Bonds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *Storm Water Fund* accounts for the revenues and expenses related to the provision of stormwater services.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Interfund transactions are treated and classified as revenues, expenditures, or expenses. These include interfund transfers from one fund to another for the purchase of goods or services. In the government-wide statement of activities, interfund transactions are eliminated unless the transfer is between the governmental and business-type activities.

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

Cash and Investments – The City’s cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported in accordance with GASB Statement 72, as amended.

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2020, management believes all receivables are collectible.

Interfund Receivables and Payables – During the course of operations, numerous transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *due from other funds* and *due to other funds* because they are short-term in nature. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

By December 15 of each year, property taxes for the City are levied by the Board and certified to Arapahoe County for collection in the subsequent year. These taxes attach as an enforceable lien on property as of January 1 of the succeeding year and are payable in full by April 30 or in two installments by June 15 in the year of collection. The taxes are collected by Arapahoe County on behalf of the City.

Property taxes levied in the General Fund and Debt Service Fund are included in receivables and deferred inflows at December 31, 2020. These taxes are classified as deferred inflows since they are not normally available to the City until mid-2021 and are budgeted for in 2020.

Prepaid items – Certain payments to vendors and other third parties reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Expenditures/expenses are recorded when the service underlying the prepaid item is provided (consumption method).

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and current year infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds in the fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives.

Buildings	30-50 years
Vehicles and equipment	3-7 years
Infrastructure	20 years

Unearned Revenues – Unearned revenues consist of advances received on grants that are recognized as revenue when the terms of the grant are fulfilled.

Compensated Absences – All employees of the City are allowed to accumulate unused vacation time up to 320 hours and unused sick time up to 480 hours. Upon termination of employment from the City, an employee will be compensated for all accrued vacation time, at their current pay rate, but will forfeit any compensation for all accrued sick time. Accumulated unpaid vacation pay is accrued when earned in the government-wide and proprietary fund type financial statements. For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees. The liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salaries and fringe benefits.

Long-Term Debt – In the government-wide financial statements, and for the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums, discounts and losses on debt refunding are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances (Continued)

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

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 City reports deferred charges on refunding of bonds, deferred outflows of derivative instruments from the SRA and certain amounts related to the City's defined benefit plans which will be amortized and recognized as revenue expense in future periods as deferred outflows of resources.

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. Deferred inflows of resources include property taxes earned but levied for a subsequent period certain amounts related to the City's defined benefit plans which will be amortized and recognized as revenue/expense in future periods.

Net Position/Fund Balances – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form (i.e. inventories or prepaid items) or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of City Council. The Council is the highest level of decision-making body for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council. The City has no committed fund balance.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances (Continued)

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the City Council may assign fund balances for specific purposes.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

- By October 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally enacted through passage of an ordinance.
- Revisions of budgeted amounts that alter the total expenditures of any fund must be approved by the City Council. Budgetary control is at the fund level as proscribed by State statute.
- All appropriations lapse at the end of each fiscal year.
- Budgets are legally adopted for all funds of the City. Budgets for the governmental fund types are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons are also presented for the enterprise funds on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted.
- Colorado Revised Statutes do not require budgets for Housing Authorities.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2020, follows:

Petty cash	\$ 1,700
Cash with County Treasurer	18,625
Deposits	293,582
Investments	<u>11,740,590</u>
Total City Cash and Investments	<u>11,451,497</u>
Blended Component Unit:	
Sheridan Redevelopment Agency	
Cash	4,101
Investments	<u>10,427,334</u>
Total Blended Component Unit	<u>10,431,435</u>
Total Cash and Investments	<u>\$ 21,885,932</u>

The above amounts are classified in the financial statements as follows:

Cash and investments	\$ 10,786,254
Restricted cash and investments	<u>11,099,678</u>
	<u>\$ 21,885,932</u>

Deposits

Custodial Credit Risk – Deposits - In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City's deposit policy is in accordance with CRS 11-10.5-101 et. seq. The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government 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 financial institution is allowed 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions 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.

At December 31, 2020, the carrying amount of the City's deposits was \$295,282 and the bank balance was \$673,603 of which \$250,000 was covered by FDIC insurance the remaining covered by the PDPA. At December 31, 2020, the carrying amount and bank balance for the Sheridan Redevelopment Agency were \$4,101 and \$18,612. The entire SRA bank balance was covered by FDIC Insurance.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of December 31, 2020, the City and SRA held the following investments:

Primary Government:	
COLOTRUST	\$ 10,741,623
CSIP	<u>398,967</u>
Total City Investments	<u>\$ 11,140,590</u>
Component Unit: Sheridan Redevelopment Agency	
COLOTRUST	\$ 637,150
Fidelity Government Portfolio C1.11	<u>9,790,184</u>
Total Investments	<u>\$ 10,427,334</u>

Credit Risk

The City has not adopted a formal investment policy; however, the City follows state statutes regarding investments.

Colorado statutes specify instruments in which units of local governments may invest, which include:

- Obligations of the United States, certain U.S. government agency securities and the World Bank
- Certain international agency securities
- General obligation and revenue bonds of the 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

Fair Value Hierarchy—The City and SRA 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 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 City has no investments required to be reported under the fair value hierarchy.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2020, the City SRA had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds (pools). The State Securities commissioner administers and enforces all State statutes governing the pools. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by the U.S. Treasury securities. COLOTRUST places no restrictions or limitations on withdrawals. As of December 31, 2020, the City and SRA had \$10,741,623 and \$637,150, respectively, invested in COLOTRUST PLUS ±. COLOTRUST is rated AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

The City also invests in the PFM Funds Prime Series, Colorado Investors Class, a money market mutual fund (marketed as the Colorado Statewide Investment Program or "CSIP"). The Prime Series is a separate investment portfolio of PFM Funds (the "trust"). The trust is an open-end, diversified, management investment company registered under the Investment Company Act of 1940, as amended. The Fund is managed to maintain a dollar-weighted average portfolio of 60 days or less and seeks to maintain a constant net asset value ("NAV") per share of \$1.00. The PFM Funds Prime Series invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. and international companies and obligations of financial institutions, bankers' acceptance, floating/variable rate obligations and repurchase agreements and is rated AAAM by Standard & Poor's. PFM Asset Management LLC serves as the investment advisor, administrator, and transfer agent. Shares of the Fund are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority (FINRA). PFM places no restrictions or limitations on withdrawals. At December 31, 2020, the City had \$398,967 invested in CSIP which is valued at amortized cost. Under GASB Statement No. 72, no additional disclosures are required.

At December 31, 2020, the SRA investments in Fidelity Government Portfolio CL II (the fund), a money market fund in the amount of \$9,790,184. The goals of the fund are a stable \$1 share price, maintenance of liquidity, and income. The SRA records these investments at amortized cost. The Fund invests in repurchase agreements secured by U.S. government securities and agency floating-rate securities. At April 7, 2021, the latest information available, the Fund had 47% of its portfolio in daily liquid assets and 65% of its portfolio in weekly liquid assets. This Fund is rated AAAM by Standard & Poor's. Under GASB Statement No. 72, no additional disclosures are required.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk - Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities to three years or less.

Restricted Cash

At December 31, 2020, the City had the following restricted cash balances:

Primary Government:	
Capital improvements	\$ 1,309,494
Debt service reserves	7,407,500
Debt repayment	<u>2,382,684</u>
	<u><u>\$ 11,099,678</u></u>

Housing Authority Cash

At December 31, 2020, the carrying amount of deposits for the Sheridan Housing Authority was \$107,624. The entire Housing Authority balance was covered by FDIC insurance. In addition, at December 31, 2020, the Housing Authority had \$173,477 invested in COLOTRUST.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 - CAPITAL ASSETS

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

	Balances 12/31/19	Additions	Deletions	Balances 12/31/20
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 773,812	\$ -	\$ -	\$ 773,812
Total Capital Assets, not being depreciated	<u>773,812</u>	<u>-</u>	<u>-</u>	<u>773,812</u>
Capital assets, being depreciated				
Buildings	2,228,468	-	-	2,228,468
Vehicles	1,740,062	264,203	(35,520)	1,968,745
Equipment	221,322	-	-	221,322
Infrastructure	55,577,962	178,583	-	55,756,545
Total Capital Assets, being depreciated	<u>59,767,814</u>	<u>442,786</u>	<u>(35,520)</u>	<u>60,175,080</u>
Accumulated Depreciation				
Buildings	(1,290,756)	(72,468)	-	(1,363,224)
Vehicles	(1,080,984)	(159,469)	35,520	(1,204,933)
Equipment	(172,053)	(10,901)	-	(182,954)
Infrastructure	(6,953,065)	(1,817,729)	-	(8,770,794)
Total Accumulated Depreciation	<u>(9,496,858)</u>	<u>(2,060,567)</u>	<u>35,520</u>	<u>(11,521,905)</u>
Total Capital Assets, Being Depreciated, Net	<u>50,270,956</u>	<u>(1,617,781)</u>	<u>-</u>	<u>48,653,175</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,044,768</u>	<u>\$ (1,617,781)</u>	<u>\$ -</u>	<u>\$ 49,426,987</u>

Depreciation expense was charged to functions of the City as follows:

Depreciation per function	
General government	\$ 80,841
Public safety	109,361
Public works	1,826,471
Parks and recreation	43,894
Total	<u>\$ 2,060,567</u>

	12/31/19	Additions	Deletions	12/31/20
Business Activities				
Capital assets, being depreciated				
Site Improvements	\$ 7,844,502	\$ -	\$ -	\$ 7,844,502
Accumulated Depreciation	(430,306)	(263,560)	-	(693,866)
Business Activities Capital Assets, Net	<u>\$ 7,414,196</u>	<u>\$ (263,560)</u>	<u>\$ -</u>	<u>\$ 7,150,636</u>

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2020.

	Balances 12/31/2019	Advances	Payments	Balances 12/31/2020	Due Within One Year
General Obligation bonds					
Series 2016	\$ 16,110,000	\$ -	\$ 425,000	\$ 15,685,000	\$ 415,000
Series 2016 Premiums	1,876,207	-	85,282	1,790,925	85,282
Series 2017	12,775,000	-	310,000	12,465,000	325,000
Series 2017 Premiums	1,901,510	-	85,106	1,816,404	83,106
Capital Lease obligations	129,039	-	41,649	87,390	42,998
Commercial advances	28,958	259,006	213,123	74,841	727,841
Total City Debt	<u>32,746,714</u>	<u>259,006</u>	<u>1,055,150</u>	<u>31,844,560</u>	<u>1,309,227</u>
Sheridan Redevelopment Agency					
2011A-1	50,350,000	-	3,270,000	47,080,000	3,485,000
2011A-2	7,030,000	-	460,000	6,570,000	190,000
2011B-1	19,519,277	-	1,075,241	18,444,036	2,175,226
2011B-1 Accrued Interest	2,288,207	153,812	-	2,442,019	-
2011B-2	29,115,348	-	1,577,664	27,537,684	3,212,793
2011B-2 Accrued Interest	3,447,535	231,600	-	3,679,135	-
2011C	17,462,266	-	-	17,462,266	-
2011C Accrued Interest	12,774,833	888,211	-	13,663,044	-
Total	<u>119,783,863</u>	<u>2,273,623</u>	<u>5,353,035</u>	<u>114,704,451</u>	<u>9,467,719</u>
Total Noncurrent Obligations	<u>\$ 74,530,574</u>	<u>\$2,532,629</u>	<u>\$ 7,511,185</u>	<u>\$ 69,552,038</u>	<u>\$10,771,946</u>

Colorado Urban Renewal law states that the City has no obligation to repay the SRA's debt.

For the SRA, two retailers account for 75% of the public improvement fees and 66% of the sales tax collected. These two retailers are 38% of the total City sales tax revenue. The SRA collects all of the City's public improvement fees. In addition, for the City, four taxpayers total approximately 15% and for the SRA, five taxpayers total approximately 66% of their respective taxable assessed valuation. The City, in cooperation with the owner of the development, is continuing efforts to attract additional businesses, so as not to rely on any particular revenue source. Further, both the City and the owner of the development are confident it can attract similar large retailers, should there ever be a need, as the referred to retail operations are in prime locations.

General Obligation Bonds

On April 6, 2016, the City issued \$17,980,000 of General Obligation Bonds (Series 2016 Bonds). Bond proceeds will be used to build infrastructure within the City. Interest accrues at rates ranging from 3% to 5% per annum and is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2041.

Projected annual debt service requirements for the outstanding Series 2016 General Obligation Bonds at December 31, 2020, are as follows:

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 445,000	\$ 693,775	\$ 1,138,775
2022	465,000	671,525	1,136,525
2023	490,000	648,275	1,138,275
2024	515,000	623,775	1,138,775
2025	540,000	598,026	1,138,026
2026-2030	3,130,000	2,557,330	5,687,330
2031-2035	4,005,000	1,691,630	5,696,630
2036-2040	4,995,000	731,414	5,726,414
2041	1,100,000	35,750	1,135,750
Total	\$ 15,685,000	\$ 8,251,500	\$ 23,936,500

On September 9, 2017, the City issued \$13,020,000 of General Obligation Bonds (Series 2017 Bonds). Bond proceeds will be used to build infrastructure within the City. Interest accrues at 5% per annum and is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2042.

Projected annual debt service requirements for the outstanding Series 2017 General Obligation Bonds at December 31, 2020, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 325,000	\$ 590,750	\$ 1,138,775
2022	345,000	576,500	1,136,525
2023	355,000	566,150	1,138,275
2024	365,000	555,500	1,138,775
2025	380,000	537,250	1,138,026
2026-2030	2,215,000	2,381,000	5,686,625
2031-2035	2,830,000	1,768,250	5,697,375
2036-2040	3,610,000	986,500	5,691,075
2041	1,710,000	129,250	2,271,113
Total	\$ 12,135,000	\$ 8,091,150	\$ 23,898,538

Variable Rate Tax Increment Refunding Revenue Bonds Series 2011A

On April 28, 2011, the SRA issued \$65,000,000 and \$9,075,000 of Variable Rate Tax Increment Revenue Bonds Series 2011A-1 and Series 2011A-2 Bonds (collectively the Series 2011A Bonds). Bond proceeds were used for the purpose of refunding the SRA's Series 2007A-1 and Series 2007A-2 bonds, funding a bond reserve and paying the fees and expenses of issuing the bonds.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Variable Rate Tax Increment Refunding Revenue Bonds Series 2011A (Continued)

The Series 2011A Bonds will initially bear interest based on the weekly rate which will be adjusted each Thursday and is payable on the first day of each month and shall be equal to the rate as set by the remarketing agent. The initial interest rate on the Series 2011A-1 and Series 2011A-2 Bonds were .3% and .4%. The Series 2011A-1 Bonds are subject to optional and mandatory sinking fund redemption and mandatory purchase. Mandatory sinking fund redemptions began in 2013 in the amount of \$295,000 and increase annually through December 2029 to \$12,185,000. The bonds can be optionally redeemed if the bonds are in the weekly or monthly mode on the first day of any month. The Series 2011A-2 Bonds are also subject to optional and mandatory sinking fund redemption and mandatory purchase. Mandatory sinking fund redemptions began in 2013 in the amount of \$40,000 and increase annually through December 2029 to \$1,700,000.

The principal, interest on, and purchase price of the Series 2011A-1 and Series 2011A-2 Bonds will be payable by the Trustee under separate irrevocable, direct pay letters of credit issued by JPMorgan Chase Bank, N.A. The letters of credit allow the Trustee to draw up to an amount sufficient to pay the principal of the Series 2011A Bonds when due and up to 34 days' interest on the Series 2011A-1 and Series 2011A-2 Bonds at a maximum interest rate of 12% per annum. Each letter of credit expires on August 22, 2021 and may be terminated prior thereto, or extended therefrom, upon the occurrence of certain events. The letters of credit were issued pursuant to a reimbursement agreement between the SRA and JPMorgan Chase Bank, N.A., which obligates the SRA to reimburse the bank for draws and to pay certain fees and expenses.

During the year ended December 31, 2020, amounts borrowed and repaid under the letters of credit totaled \$852,068.

The Series 2011A Bonds are also special, limited revenue obligations of the SRA payable from and secured by the Series 2011A Bonds Trust Estate. The Bond Trust Estate shall include, among other things, ad valorem property tax increment revenues and sales tax increment revenues received by the SRA from a designated urban renewal area. The SRA has also pledged a portion of the public improvement fees and interest thereon related to the urban renewal area. The bonds are secured by a Series 2011A Bonds Reserve Fund initially funded with proceeds from the Series 2011A Bonds in the amount of \$7,407,500. As of December 31, 2020, the Series 2011A Bonds Reserve Fund is fully funded.

The payment of principal and interest related to the Series 2011A Bonds is also guaranteed by the developer and a related entity until such time as the Rolling Twelve Month Debt Service Coverage Ratio as of the preceding 24 months is not less than 1.40.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Variable Rate Tax Increment Refunding Revenue Bonds Series 2011A (Continued)

The Rolling Twelve Month Debt Service Coverage Ratio is defined as the twelve-month previous pledged incremental tax revenues divided by the average annual debt service. At December 31, 2020, the Rolling Twelve Month Debt Service Coverage Ratio had not been met.

The SRA has also entered into an Interest Rate Exchange Agreement whereby the SRA will pay a fixed interest rate (3.80% on the Series 2011A-1 Bonds and 5.27% on the Series 2011A-2 Bonds) to the counterparty, Royal Bank of Canada ("RBC") and the counterparty will in turn pay a variable interest rate to the SRA. For the Series 2011A-1 Bonds the counterparty will pay interest based on the USD-SIFMA Municipal Swap Index. For the Series 2011A-2 Bonds, the counterparty will pay interest based on the one-month LIBOR Index. The Notional amount for these contracts is the outstanding bond principal of \$57,380,000. The contract was entered into on March 7, 2007 and terminates on December 1, 2029. Payments due to the counterparty are guaranteed by the developer and a related entity. The SRA has no net exposure to actual credit risk as this swap agreement is a liability. As the interest rate the SRA will pay is fixed, the Agency believes it has reduced its interest rate risk by entering into this agreement. As the index for both the swap agreement and the bond issue are the same, the SRA believes it has no basis risk. The counterparty may terminate this contract if the SRA fails to perform under the contract or credit support agreement. In addition, the swap may automatically terminate due to cross default or other provisions included in the contract. As the swap agreement is scheduled to terminate when the bonds mature, the Agency has no rollover risk.

The fair value of the interest rate swaps is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. At December 31, 2020, the market value of this contract is estimated to be a negative \$10,828,290. During the year ended December 31, 2020, the contract value increased \$1,592,857. During the year ended December 31, 2020, under the swap agreement, the SRA paid the counterparty \$1,450,764.

RBC was rated Aa2, AA-, and AA under Moody's, Standard and Poor and Fitch, respectively.

Projected annual debt service requirements for the outstanding Series 2011A-1 Bonds at December 31, 2020, are as follows:

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Variable Rate Tax Increment Refunding Revenue Bonds Series 2011A (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,485,000	\$ 1,864,368	\$ 5,349,368
2022	3,705,000	1,726,362	5,431,362
2023	3,945,000	1,579,644	5,524,644
2024	4,185,000	1,427,322	5,612,322
2025	4,455,000	1,287,696	5,742,696
2026-2029	<u>27,305,000</u>	<u>3,153,864</u>	<u>30,458,864</u>
Total	<u>\$ 47,080,000</u>	<u>\$ 1,099,256</u>	<u>\$ 48,089,256</u>

Projected annual debt service requirements for the outstanding Series 2011A-2 Bonds at December 31, 2020, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 490,000	\$ 346,239	\$ 836,239
2022	520,000	320,416	840,416
2023	550,000	293,012	843,012
2024	585,000	264,750	849,750
2025	620,000	233,198	853,198
2026-2029	<u>3,805,000</u>	<u>585,061</u>	<u>4,390,061</u>
Total	<u>\$ 6,570,000</u>	<u>\$ 2,072,666</u>	<u>\$ 8,642,666</u>

Subordinate Tax Increment Refunding Revenue Bonds Series 2011B

Also, on April 28, 2011, the SRA issued \$23,039,349 and \$34,705,443 of Series 2011B-1 Bonds and Series 2011B-2 Bonds (collectively the Series 2011B Bonds). This was a private placement with Weingarten Realty Investors. Bond proceeds were used for the purpose of refunding the SRA's Series 2007A-1, Series 2007A-2 Bonds, and Series 2007 B Bonds and paying the fees and expenses of issuing the bonds. The Series 2011B Bonds do not bear interest and mature on December 15, 2039. Failure to pay the full maturity amount of any sinking fund payment is not an Event of Default under the Indenture. Any unpaid Series 2011B Bond amounts still outstanding after maturity on December 15, 2039 will no longer be owed.

Payments on the Series 2011B Bonds are subordinated to the payment of current principal and interest on the Series 2011A Bonds. The bonds accrete interest at a rate of 1.419%. The Series 2011B-1 Bonds are subject to optional and mandatory sinking fund redemption and mandatory purchase. Mandatory sinking fund redemptions began in 2011 in the amount of \$305,000 and increase annually through December 2039 to \$1,510,000.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Subordinate Tax Increment Refunding Revenue Bonds Series 2011B (Continued)

The Series 2011B-2 Bonds are also subject to optional and mandatory sinking fund redemption and mandatory purchase. Mandatory sinking fund redemptions began in 2011 in the amount of \$465,000 and increase annually through December 2039 to \$2,280,000.

The 2011B Bonds can be optionally redeemed on any date after the Series 2011A Bonds are no longer outstanding from any Pledged Incremental Tax Revenues and on any December 15 from the Debt Service Public Improvement Fee or the SRA Public Improvement Fee, at a redemption price equal to the maturity value, subject to the following provisions. No payment will be made on the Series 2011B Bonds until (a) the Series 2011A's Reserve Fund contains an amount equal to the reserve requirement, (b) the Series 2011A Bond Payment Fund contains an amount equal to the sum of (i) three months of interest on the Series 2011A Bonds and (ii) one-fourth of the principal due on the Series 2011A Bonds in the next calendar year; (c) all Agency Bond Fees and Bank Fees then due have been paid, (d) all amounts due and payable under the Bank Reimbursement Agreement, or any Interest Rate Exchange Agreement have been paid, and (vii) no Event of Default under the Indenture has occurred and is continuing.

Any sinking fund amounts not paid in the current year, no longer accrete interest, and become due and payable in the subsequent period. As of December 31, 2020, \$3,715,000 of current requirements remains unpaid and therefore is due in 2021.

Projected annual debt service requirements for the outstanding Series 2011B-1 Bonds at December 31, 2020, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,175,226	\$ 11,774	\$ 2,290,000
2022	696,016	123,984	820,000
2023	686,242	133,758	820,000
2024	676,607	143,393	820,000
2025	667,103	152,897	820,000
2026-2030	3,724,509	1,070,491	4,795,000
2031-2035	5,529,996	2,080,004	7,610,000
2036-2039	4,118,237	1,921,761	6,039,998
Total:	<u>\$ 18,273,936</u>	<u>\$ 5,741,062</u>	<u>\$ 24,014,998</u>

Projected annual debt service requirements for the outstanding Series 2011B-2 Bonds at December 31, 2020, are as follows:

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,312,493	\$ 172,509	\$ 3,485,002
2022	1,056,756	188,244	1,245,000
2023	1,037,731	202,269	1,240,000
2024	1,027,287	217,715	1,245,000
2025	1,012,857	232,143	1,245,000
2026-2030	5,631,749	1,618,251	7,250,000
2031-2035	8,240,515	3,099,485	11,340,000
2036-2039	6,218,266	2,901,734	9,120,000
Total	<u>\$ 27,537,651</u>	<u>\$ 8,632,348</u>	<u>\$ 36,170,002</u>

Series 2011C Note Payable

Also, on April 28, 2011, the SRA refinanced \$13,139,024 of Series 2007C Notes and \$2,243,698 of interest by issuing 73 promissory 2011C Notes totaling \$17,463,266. The notes are owed to the Developer.

The notes accrete interest at an annual rate of 6.533%. Payments of principal and interest begin in December 2034 in the amount of \$1,525,000 and increase annually through December 2106 to \$26,720,000. These notes are payable from public improvement fee revenues. Payments of principal and interest on the notes are subordinate to the payment of the Series 2011A Bonds and the Series 2011B Bonds. As of December 31, 2020, the outstanding principal balance is \$17,463,266.

Any Series 2011C note not paid as of its maturity date will no longer accrete interest, and if not paid by December 15, 2106, will be extinguished, and no longer be an obligation of the agency.

Refunding

As described above, during the year ended December 31, 2011, the SRA undertook a refunding of all of its debt. In the refunding, the reacquisition price exceeded the net carrying amount of the old debt by \$9,721,880. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Capital Lease Obligations

During 2017, the City entered into a capital lease for the purchase of a street sweeper. The equipment has fifteen-year useful life and a book value of \$157,501 at December 31, 2020. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. This lease is due in annual installments of \$45,830, including principal and interest at 3.24% and matures on April 10, 2022.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Following is a schedule of the future minimum lease payments required under this outstanding capital lease obligation:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 42,998	\$ 2,832	\$ 45,830
2022	44,397	1,438	45,830
Total	<u>\$ 87,390</u>	<u>\$ 4,270</u>	<u>\$ 91,660</u>

Compensated Absences

Compensated absences are expected to be liquidated with revenues of the General Fund.

NOTE 6 - LINE OF CREDIT

On December 30, 2020, the City renewed its line of credit with a bank for \$219,000 that expires December 30, 2021. Interest is a variable rate on any unpaid principal balance of the loan at the initial rate of 3.250%, based on the Wall Street Journal prime plus one percent. During the year ending December 31, 2020, the City made no draws on the line of credit. The line of credit is secured by the City Hall real property.

NOTE 7 - PENSION PLANS

The City maintains the following separately administered pension plans:

<u>Plan Name</u>	<u>Plan Type</u>
Volunteer Firefighters' Pension Plan	Agent multiple-employer defined benefit
Statewide Defined Benefit Plan	Cost-sharing multiple-employer defined benefit plan
Statewide Hybrid Plan-Defined Benefit Component	Cost-sharing multiple-employer defined benefit plan
Paid Staff Pension Plan	Defined contribution

These defined benefit plans are administered by the Fire and Police Pension Association of Colorado ("FPPA"). They are reported in the FPPA comprehensive annual financial report (CAFR). The CAFR of the FPPA may be obtained by contacting FPPA at 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111-2721.

Volunteer Firefighters' Pension Plan

Plan Description – The City has established the Volunteer Firefighters' Pension Plan (the "Volunteer Plan"), an agent multiple-employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado Statute.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

The City no longer has an active Volunteer Fire Department, so there are no active members of the Plan.

Benefits Provided— Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a full benefit monthly pension of \$607.95. In addition, firefighters receive \$30.40 per month for each year of service exceeding 20 years. Any firefighter who has completed ten to twenty years of active service shall be eligible for a benefit of \$30.40 for each year served.

The Volunteer Plan also provides for a lump-sum burial benefit in the amount of \$1,102.50 upon the death of a retired firefighter. Spouses of deceased firefighters receive benefits equal to one-half those of a firefighter. Benefits are determined by the Volunteer Firefighter Pension Board and ratified by City Council.

At December 31, 2020, the following members were covered by the benefit terms:

Retirees and Beneficiaries	17
Inactive, Nonretired Members	1
Active Members	0
	18
	18

Contributions— Contributions are determined by the FPPA actuary, using the entry age normal cost method as of January 1, 2019. Contributions into the pension fund are derived from two sources: contributions directly from the District and contributions from the State based on assessed property values and other formulas. For the year ended December 31, 2020 the City and State actual contributions of \$50,000 and \$23,194 respectively, were equal to the required contributions to the Volunteer Plan.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the City reported a net pension liability of \$512,086. The net pension liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020.

For the year ended December 31, 2020, the City recognized pension income of \$26,579. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 4,758
Contributions Subsequent to the Measurement Date	50,000	-
Total	<u>\$ 50,000</u>	<u>\$ 4,758</u>

\$50,000 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ (412)
2022	(2,270)
2023	1,126
2024	(3,202)
2025	-
Thereafter	-
Total	<u>\$ (4,758)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	12 years*
Asset Valuation Method	5-Year smoothed fair value
Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.00%
Retirement Age	50% per year of eligibility until 100% at age 65

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates were based on the following:

- Pre-retirement: 2006 central rates from the RP-2014 Employee Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years, 50% multiplier for off-duty mortality.
- Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.
- Disabled: 2006 central rates from the RP-2014 Disabled Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years.

*Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits). Being that the plan's fiduciary net position is projected to be sufficient to pay benefits, the long-term expected rate of return of 7.00% was used as the discount rate.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic nominal rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2019 are summarized in the following table:

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term: Expected Nominal Rate of Return</u>
Cash	2.00%	2.52%
Fixed Income	15.00%	5.20%
Managed Futures	1.00%	5.00%
Absolute Return	3.00%	5.50%
Long Short	3.00%	6.00%
Global Equity	38.00%	7.00%
Private Markets	25.00%	9.20%
Total	<u>100.00%</u>	

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Volunteer Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment) to determine the total pension liability.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liabilities [a]-[b]
Volunteer Plan			
Balance, December 31, 2019	\$ 40,378	\$ 287,038	\$ 558,290
Changes for the year:			
Service cost	-	-	-
Interest	55,271	-	55,271
Net investment income	-	34,576	(34,576)
Contributions - employer	-	50,000	(50,000)
Benefit payments including refunds of employee contributions	(103,747)	(103,747)	-
Difference between expected and actual experience of Total Pension Liability	-	-	-
Charges in assumptions	-	-	-
Administrative expense	-	(6,232)	6,232
State of Colorado supplemental discretionary payment	-	23,191	(23,191)
Net changes	<u>(47,867)</u>	<u>(1,663)</u>	<u>(46,204)</u>
Balance, December 31, 2020	<u>\$ 792,461</u>	<u>\$ 280,375</u>	<u>\$ 512,086</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

Sensitivity of the City's net pension liability to changes in the discount rate. The following presents the net pension asset calculated using the discount rate of 7.00 percent, as well as the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Proportionate share of the Net Pension Liability (Asset)	\$ 568,977	\$ 512,086	\$ 462,409

State of Colorado Fire and Police Pension Association-Statewide Defined Benefit Plan

Plan Description – The City contributes to the Statewide Defined Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan. The plan is administered by the Fire and Police Pension Association of Colorado (FPPA). The Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997 through the Plan.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Colorado statutes assign the authority to establish benefit provisions to the state legislature. FPPA issues a publicly available annual financial report that includes financial statements and requires supplementary information for both the SWDB and the Statewide Death and Disability Plan.

FPPA issues a publicly available financial report that includes information on the plan. That report may be obtained at www.fppaco.org.

Benefits Provided – A plan member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

The annual normal retirement benefit is 2 percent of the average of the member's highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members covered under Statewide Defined Benefit Social Security Component will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefit adjustments paid to retired members are evaluated annually and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution.

Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions – The City and eligible employees are required to contribute to the plan at rates established by State statutes. Employer contributions rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

State of Colorado Fire and Police Pension Association-Statewide Defined Benefit Plan (Continued)

Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

Members of the SWDB plan and their employers contributed at a rate of 11% and 8%, respectively, of base salary for a total contribution rate of 19% in 2020.

In 2014, the members elected to increase the member contribution rate to the SWDB plan beginning in 2015. Member contribution rates will increase 0.5% annually through 2022 to a total of 12% of pensionable earnings. Employer contributions are 8% in 2020. Employer contributions will increase 0.5% annually beginning in 2021 through 2030 to a total of 13% of pensionable earnings. The City's contributions to the plan of the year ended December 31, 2020, were \$235,690, equal to the required contributions.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2020, the City reported a net pension asset of \$174,058, representing its proportionate share of the net pension asset of the plan. The net pension asset was measured at December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2019, the City's proportion was 0.3078% which was an increase of 0.0069% from its proportion measured at December 31, 2018.

For the year ended December 31, 2020, the City recognized pension income of \$62,996. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 589,345	\$ 3,407
Changes of Assumptions or other Inputs	330,530	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	273,624
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	70,426	21,789
Contributor's Subsequent to the Measurement Date	235,690	-
Total	<u>\$ 1,225,662</u>	<u>\$ 298,820</u>

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

\$235,690 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 68,143
2022	41,746
2023	133,762
2024	18,002
2025	134,394
Thereafter	292,705
Total	\$ 691,152

Actuarial Assumptions

The actuarial valuations for the Statewide Defined Benefit Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2019. The valuations used the following actuarial assumption and other inputs:

	<u>Total Pension Liability</u>	<u>Actuarially Determined Contributions</u>
Actuarial Valuation Date	January 1, 2020	January 1, 2019
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 years
Long-term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
*Includes Inflation at	2.5%	2.5%

For determining the total pension liability and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019.

The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	38 %	7.00 %
Equity Long/Short	8 %	6.00
Private Markets	25 %	9.20
Fixed Income	15 %	5.20
Absolute Return	8 %	5.50
Managed Futures	4 %	5.00
Cash	2 %	2.52
Total	<u>100 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Discount Rate (Continued)

Based on those assumptions, the SWDB plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 2.75 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00 percent.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as the City's proportionate share of the net pension asset (liability) if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate, as follows:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Proportionate Share of the Net Pension Liability (Asset)	\$ 1,055,354	\$ (174,058)	\$ (1,193,693)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at www.fppaco.org.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Subsequent Event

House Bill 20-1044 was signed into law on April 1, 2020. Included in the bill is a provision to increase the benefits of the members of the Statewide Defined Benefit Plan through a Rule of 80 provision effective January 1, 2021. This provision provides for a normal retirement as early as age 50 if the member's age combined with years of service totals at least 80. The impact of this change was not included in the Total Pension Liability or the Collective Pension Expense as of the December 31, 2019 measurement period. This will be reflected in the December 31, 2020 measurement period. The impact of the benefit adjustment is approximately \$53 million.

Statewide Hybrid Plan – Defined Benefit Component

Plan Description – The Statewide Hybrid Plan (SWH) was established January 1, 2004 as a cost-sharing multiple-employer pension plan covering full-time firefighters and police officers from departments that elect coverage. The Plan may also cover clerical staff, other fire district personnel whose services are auxiliary to fire protection, or chiefs who have opted out of the Statewide Defined Benefit Plan. The Plan is comprised of two components: Defined Benefit and Money Purchase. With the latter component, members have the option of choosing among various investment options offered by an outside investment manager. Employers may not withdraw from the Plan once affiliated.

The SWH is comprised of two components: Defined Benefit and Money Purchase. The Plan assets associated with the Defined Benefit Component are included in the Fire & Police Members' Benefit Investment Fund and the Plan assets associated with the Money Purchase Component and Deferred Retirement Option Plan (DROP) assets are included in the Fire & Police Members' Self-Directed Investment Fund.

The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report which can be obtained on FPPA's website at <http://www.FPPAco.org>.

Benefits Provided – The Plan document states that any member may retire from further service and become eligible for a normal retirement pension at any time after age 55 if the member has at least 25 years of service.

The annual normal pension of the Defined Benefit Component is 1.5 percent of the average of the member's highest three years' pensionable earnings for each year of credited service. Benefits paid to retired members of the Defined Benefit Component are evaluated and may be re-determined annually on October 1. The amount of any increase is based on the Board's discretion and can range from 0 to 3 percent.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

A member is eligible for early retirement within the Defined Benefit Component after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, a member may elect to have all contributions, along with 5 percent as interest, returned as a lump sum distribution from the Defined Benefit Component. Alternatively, a member with at least five years of accredited service may leave contributions with the Defined Benefit Component of the Plan and remain eligible for a retirement pension at age 55 equal to 1.5 percent of the average of the member's highest three years' pensionable earnings for each year of credited service.

Contributions – The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. The members of the SWH plan and their employers are currently each contributing at a rate determined by the individual employer, however, the rate for both employer and members must be at least 8 percent of the member's pensionable earnings. The amount allocated to the Defined Benefit Component is set annually by the FPPA Board of Directors. Excess contributions fund the Money Purchase Component of the Plan. The Defined Benefit Component contribution rate from July 1, 2019 through June 30, 2020 was 13.80 percent. The Defined Benefit Component contribution rate from July 1, 2028 through June 30, 2019 was 13.40 percent. The City's contributions to the plan of the year ended December 31, 2020, were \$11,008, equal to the required contributions.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2020, the City reported a net pension asset of \$94,696, representing its proportionate share of the net pension asset of the plan. The net pension asset was measured at December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2019, the City's proportion was 0.4863% which was an increase of 0.0169% from its proportion measured at December 31, 2018.

For the year ended December 31, 2020, the City recognized expense of \$18,029. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 11,927	\$ -
Changes of Assumptions or other Inputs	8,027	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	11,620
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	64,117	4,080
Contributions Subsequent to the Measurement Date	<u>11,008</u>	<u>-</u>
Total	<u>\$ 128,079</u>	<u>\$ 15,700</u>

\$11,008 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 26,170
2022	25,226
2023	28,938
2024	17,029
2025	3,744
Thereafter	264
Total	<u>\$ 101,371</u>

Actuarial Assumptions

The actuarial valuations for the SWII - Defined Benefit Component were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2019. The valuations used the following actuarial assumption and other inputs:

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

	<u>Total Pension Liability</u>	<u>Actuarial Determined Contributions</u>
Actuarial Valuation Date	January 1, 2020	January 1, 2019
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	N/A	Level % of Payroll, Open
Amortization Period	N/A	30 years
Long-term Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases	4.25% - 11.25%	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0%	0%
*Includes Inflation at	2.5%	2.5%

For determining the total pension liability and actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The preretirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019.

The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2019 are summarized in the following table:

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	38 %	7.00 %
Equity Long/Short	8 %	6.00
Private Markets	25 %	9.20
Fixed Income	15 %	5.20
Absolute Return	8 %	5.50
Managed Futures	4 %	5.00
Cash	2 %	2.52
Total	<u>100 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWII - Defined Benefit Component plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 2.75 percent (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00 percent.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLANS (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as the City's proportionate share of the net pension asset (liability) if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate, as follows:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(8.00%)</u>
		<u>(7.00%)</u>	
Proportionate Share of the Net Pension Liability (Asset)	\$ (57,595)	\$ (94,696)	\$ (125,733)

Paid Staff Pension Plan

Plan Description – The City provides pension benefits for its employees through a defined contribution plan. All employees of the City except Sworn Officers are eligible to participate in the plan. Employees are eligible to participate following completion of 12 months of service. The City's contributions vest based on a three-year cliff vesting schedule. Forfeitures are used to reduce employer or matching contributions. There were no forfeitures during 2020. Plan assets are held at Massachusetts Mutual Life Insurance Company.

Funding Policy – The plan requires that the City contribute an amount equal to 4.0% of the employee's gross annual salary. The City contributions to the Plan for the year ending December 31, 2020 were \$36,474 equal to the required contribution.

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability and property coverage and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 - RISK MANAGEMENT (CONTINUED)

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any members of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The City's claims have not exceeded coverage in any of the past three fiscal years.

During 2013, the City entered into a level funding policy for its health insurance with a third-party insurance company. The Colorado Division of Insurance considers this to be a self-funded medical plan. The City is responsible for the first \$20,000 of claims for each covered individual. The City funds claims by paying the maximum monthly claim liability as defined by the policy. At the end of the plan year, December 31, if the maximum monthly claim liability exceeds the amount of actual claims paid, that surplus (minus adjustments for the terminal fund account) is divided 50% to the insurance company and the City receives a credit on the following year's premiums for 50% of the surplus. If the amount of actual claims paid exceeds the maximum monthly claim liability the City has no additional liability to the insurance company. For the policy year ended December 31, 2020 the City will receive a credit related to the 2020 premium of \$7,303. If the contract were to terminate the City is responsible to pay a terminal attachment factor to cover the incurred but not reported claims at that date. Management believes that terminal attachment factor is fully funded as the Terminal Fund on Account with the insurance company is \$44,899 at December 31, 2020. For the year ended December 31, 2020, the City's maximum monthly claim liability totaled \$432,894. Claims paid against this amount totaled \$412,288.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

TABOR Amendment

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

In November 1999, voters within the City authorized the retention of any funds collected by the City during 2000, 2001, 2002 and 2003, notwithstanding the provisions of the Amendment, subject to the express condition that any such funds will be used solely for the purpose of street construction, maintenance, or repair.

In November 2004, voters within the City authorized the retention of all revenues received from any source during the 2004 budget year and each budget year thereafter that are in excess of the revenue and fiscal year spending limits that would otherwise apply under Article X, Section 20 of the Colorado Constitution, or any other law. Management believes the City is in compliance with Amendment.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2019, the emergency reserve of \$134,648 was recorded as a reservation of fund balance in the General Fund.

The SRA is not subject to the TABOR amendment. See *Olsen v City of Golden*, 53 p.3d.747 (Colo. App 2002) certiorari denied. In addition, the Housing Authority believes it is exempt from TABOR.

Environmental Remediation – SRA

A large portion of the property included in the urban renewal area (the “site”) consisted of landfills and junk yards in addition to a medical transfer station, various businesses that generated hazardous wastes, vehicle repair facilities, and petroleum service stations, all, or some of which may have resulted in contamination of the site. Above and below ground storage tanks were discovered on the site. Contaminants from various off-site commercial/industrial activities have or may have migrated or may migrate in the future onto the site. As a result of historic on and off-site operations, a variety of contaminants have been documented or is suspected to be present at the site.

The developer submitted a voluntary cleanup plan application (the “plan”) for the site to the Colorado Department of Public Health and Environment (the CDPIE”). The plan contained several sub-plans that addressed materials removal, vapor intrusion and accumulation issues, and operations. The plan and related modifications have been approved by CDPIE. While some municipal waste material was excavated and disposed of off-site, municipal waste and other waste materials and contaminants remain on-site. Every owner, tenant, or occupant, within the mitigated zone, is required to design and construct a vapor intrusion mitigation system to address concerns related to methane gas produced by the remaining decomposing material. In addition, the plan did not address remediation of groundwater contamination existing on the site. The developer anticipates that the remediation efforts will take several years and will require additional CDPIE extensions to the plan.

The developer and related entities have jointly and severally agreed to indemnify the owners of the Series 2011A Bonds, through the Trustee, from certain losses that might be incurred as a result of claims arising under certain environmental laws.

In addition, the developer has obtained two environmental insurance policies covering potential liabilities associated with the development of the site, including a Pollution Legal Liability policy in the amount of \$40 million and a Contractor’s Pollution Liability policy in the amount of \$10 million.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employment Contracts

The City has entered into an employment agreement. Under the terms of the agreement, if the employee is terminated, but not for cause, severance payments equal to approximately 6 month's salary are due under the contract.

NOTE 10 - NET POSITION

As December 31, 2020, the City had a deficit net position of (\$84,615,884) and (\$91,711,546) related to governmental activities. As more fully described in Note 5, the debt of the SRA was refinanced in 2011. However, the ability of the SRA to meet future debt service payments is dependent upon the ability of the River Point Project to generate future sufficient tax increment revenues and public improvement fees, the ability of the developer to reach agreements with additional retail tenants for the River Point Project, and the ability of the developer and related entities to meet debt service guarantees.

NOTE 11 - INTERNAL BALANCES

All balances owed between funds as of December 31, 2020 are expected to be repaid within one year.

In addition, during the year ended December 31, 2020, the Sheridan Redevelopment Agency transferred \$1,192,680 to the General Fund as reimbursement for services provided by the City to the SRA. In addition, the General Fund transferred \$789,706 to the Capital Improvements Fund for its operations and the Storm Water Fund transferred \$34,373 to the Capital Improvements fund for payment of debt service.

NOTE 12 - PENDING LITIGATION

The City is a defendant in various lawsuits arising in the normal course of business and covered by insurance. In the aggregate, these claims seek monetary damages in significant amounts. While the City vigorously defends its positions, the outcome of the claims cannot be determined at this time. Accordingly, a loss contingency has not been recorded for any of the claims.

CITY OF SHERIDAN, COLORADO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 -PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2020, a prior period adjustment was posted to correct beginning balances associated with the accreted interest of long-term debt on the SRA Series 2011B-1 and 2011B-2 Bonds. See the table below for the impact on beginning net position.

Balance reported as of December 31, 2019	\$ (94,280,144)
Prior Period Adjustment	<u>(1,888,064)</u>
Restated Balance as of December 31, 2019	<u><u>\$ (96,168,208)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHERIDAN, COLORADO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for Year Ended December 31, 2019

	2020			Variance With Final Budget	2019
	Original Budget	Final Budget	Actual		Actual
Revenues					
Taxes	\$ 7,180,352	\$ 7,491,059	\$ 7,676,478	\$ 485,419	\$ 7,370,615
Licenses	117,877	138,986	127,155	(10,831)	525,200
Intra-governmental	61,155	61,155	843,847	782,692	88,907
Charges for services	283,122	191,611	218,759	27,148	29,3919
Fees and forfeitures	1,428,875	1,144,667	1,212,487	67,820	1,606,529
Investment earnings	75,000	47,291	39,921	(7,370)	117,251
Other income	1,236,679	2,187,735	1,052,255	(1,135,480)	991,888
Total Revenues	10,413,039	1,561,609	11,800,382	236,278	19,989,509
Expenditures					
General Government					
General government	566,564	1,436,312	712,296	774,016	587,465
City clerk	193,520	193,398	171,191	22,207	175,425
Vital records	112,527	111,905	105,059	6,864	90,766
Municipal court	350,843	311,595	282,556	29,040	30,3094
Legislative	260,578	243,478	212,175	31,303	210,510
Total General Government	1,483,702	2,296,688	1,483,277	813,517	1,365,260
Public Safety					
Police	5,457,311	4,992,531	4,802,896	155,635	4,591,229
Fire	2,148,634	2,148,634	2,148,634	-	2,096,228
Total Public Safety	7,605,945	7,141,165	6,951,530	158,635	7,090,457
Public works	878,756	959,981	892,830	66,251	818,719
Community Development	521,427	555,829	383,997	171,832	189,071
Non-Departmental	567,223	493,541	1,247,950	(754,409)	486,850
Debt Service	200,500	200,500	-	200,500	-
Total Expenditures	11,196,933	11,646,803	13,960,427	686,356	13,250,330
Excess (Deficiency) of Revenues Over (Under) Expenditures	(183,934)	(82,199)	810,755	922,531	(28,979)
Other financing sources (uses)					
Transfer in	1,179,630	1,191,668	1,192,630	(1,988)	1,063,912
Transfer out	(695,669)	(932,075)	(789,436)	142,669	(594,268)
Sale of Assets	-	-	-	-	5,096
Total Other Financing Sources (Uses)	483,961	267,593	403,274	140,681	494,740
Change in Fund Balance	\$ 38	\$ 180,397	1,243,709	\$ 1,063,315	1,233,719
Fund Balance, Beginning			6,540,775		5,707,056
Fund Balance, Ending			\$ 8,184,884		\$ 6,940,775

CITY OF SHERIDAN, COLORADO
BUDGETARY COMPARISON SCHEDULE
SHERIDAN REDEVELOPMENT AGENCY
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for Year Ended December 31, 2019

	2020		Variance With Final Budget	2019
	Original and Final Budget	Actual		Actual
<u>Revenues</u>				
Property tax increment revenue	\$ 3,299,588	\$ 3,000,293	\$ (299,295)	\$ 3,220,158
Sales tax increment revenue	6,300,905	6,117,319	(183,586)	6,043,346
Public Improvement Fees	2,763,074	2,872,796	109,722	2,664,349
Investment earnings	185,000	47,383	(137,617)	274,861
Total Revenue	<u>12,548,567</u>	<u>12,037,791</u>	<u>(510,776)</u>	<u>12,202,714</u>
<u>Expenditures</u>				
General government	255,210	221,013	34,197	249,432
Redevelopment projects	108,266	124,877	(16,611)	103,316
Debt service	10,826,952	10,484,805	342,147	10,594,296
Contingency	70,000	-	70,000	-
Total Expenditures	<u>11,260,428</u>	<u>10,830,695</u>	<u>429,733</u>	<u>10,947,044</u>
Excess (deficiency) of revenues over (under) expenditures	1,288,139	1,207,096	(81,043)	1,255,670
<u>Other Financing Sources (Uses)</u>				
Transfers out	<u>(1,179,660)</u>	<u>(1,192,680)</u>	<u>(13,020)</u>	<u>(1,083,912)</u>
Total Other Financing Sources (Uses)	<u>(1,179,660)</u>	<u>(1,192,680)</u>	<u>(13,020)</u>	<u>(1,083,912)</u>
Changes in Fund Balance	<u>\$ 108,479</u>	<u>4,416</u>	<u>\$ (94,063)</u>	<u>171,758</u>
Fund Balance, Beginning		<u>11,248,139</u>		<u>11,076,381</u>
Fund Balance, Ending		<u>\$ 11,262,555</u>		<u>\$ 11,248,139</u>

CITY OF SHERIDAN, COLORADO
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
VOLUNTEER PENSION PLAN
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014
<u>Total Pension Liabilities</u>						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	55,274	57,589	60,657	57,408	60,574	61,597
Benefit changes	-	42,925	-	43,501	-	27,371
Difference between expected and actual experience of the Total Pension Liability	-	2,778	-	3,968	-	(4,472)
Changes in assumptions	-	20,467	-	41,202	-	-
Benefit payments	(103,141)	(100,746)	(101,796)	(104,220)	(107,394)	(106,251)
Net changes	(47,867)	23,013	(41,139)	41,862	(40,820)	(21,355)
Total pension liability- beginning	840,328	817,312	858,474	816,612	857,432	878,787
Total pension liability- ending	\$ 792,461	\$ 840,328	\$ 817,315	\$ 858,474	\$ 816,612	\$ 857,432
<u>Plan Fiduciary Net Position</u>						
Contributions- employee	\$ 50,000	\$ 47,000	\$ 44,000	\$ 41,000	\$ 38,000	\$ 35,000
Net investment income	34,516	787	59,305	14,952	6,779	23,670
Benefit payments	(105,141)	(100,746)	(101,796)	(104,220)	(107,394)	(106,251)
Pension plan administrative expense	(6,232)	(4,518)	(5,885)	(740)	(2,822)	(936)
State of Colorado supplemental						
State of Colorado supplemental discretionary payment	23,194	23,194	23,194	23,194	23,194	23,194
Net changes	(1,663)	(34,283)	(1,182)	(25,814)	(36,243)	(25,353)
Plan fiduciary net position- beginning	282,038	316,321	37,503	343,317	370,560	404,913
Plan fiduciary net position- ending	\$ 280,375	\$ 282,038	\$ 36,321	\$ 317,503	\$ 334,317	\$ 379,560
Net pension liability - ending	\$ 512,086	\$ 558,290	\$ 500,994	\$ 540,971	\$ 482,295	\$ 477,872
Plan fiduciary net position as a percentage of total pension liability	35.38%	33.56%	38.70%	36.98%	41.0%	44.27%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

*Fiscal year 2015 was the first year of implementation, therefore only available years are shown.

CITY OF SHERIDAN, COLORADO
SCHEDULE OF PENSION CONTRIBUTIONS
VOLUNTEER PENSION PLAN
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 66,102	\$ 66,102	\$ 46,984	\$ 46,984	\$ 45,879	\$ 45,879	\$ 45,879
Actual contribution**	73,194	73,194	70,194	67,194	64,194	61,194	58,194
Contribution deficiency (excess)	\$ (7,092)	\$ (7,092)	\$ (23,210)	\$ (20,210)	\$ (18,315)	\$ (15,315)	\$ (12,315)
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actual contribution as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Fiscal year 2015 was the last year of documentation. Hereafter only available years are shown.

**The City has both employer and State of Colorado Discretionary contributions.

CITY OF SHERIDAN, COLORADO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY (ASSET) – STATEWIDE DEFINED BENEFIT PLAN
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014	2013
City's proportion (percentage) of the collective net pension liability	0.3078%	0.3008%	0.0329%	0.3516%	0.357%	0.3136%	0.3531%
City's proportionate share of the collective net pension liability (asset)	\$ (174,058)	\$ 380,330	\$ (473,065)	\$ 127,044	\$ (6,095)	\$ (387,777)	\$ (315,695)
Covered payroll	\$ 2,128,527	\$ 2,015,125	\$ 1,923,388	\$ 1,807,735	\$ 1,681,663	\$ 1,515,115	\$ 1,533,780
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(7.7%)	18.87%	(24.60%)	7.03%	(0.36%)	(25.10%)	(20.59%)
Plan fiduciary net pension as a percentage of the total pension liability (asset)	101.90%	95.23%	106.37%	98.23%	100.10%	106.80%	105.80%

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the plan. The City's amended Statement No. 58 in 2013 therefore, 10 years of data is not available.

CITY OF SHERIDAN, COLORADO
SCHEDULE OF THE CITY'S CONTRIBUTIONS
STATEWIDE DEFINED BENEFIT PLAN
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions	\$ 235,690	\$ 194,282	\$ 161,210	\$ 153,871	\$ 144,619	\$ 134,533	\$ 123,614	\$ 122,676
Contributors in relation to the statutorily required contributions	235,690	194,282	161,210	153,871	144,619	134,533	123,614	122,676
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,946,126	\$ 2,428,527	\$ 2,075,125	\$ 1,923,388	\$ 1,807,735	\$ 1,681,663	\$ 1,545,175	\$ 1,533,450
Contribution as a percentage of covered payroll	8.00% ^b	8.00%	8.00% ^a	8.00% ^a	8.00%	8.00% ^b	8.00%	8.00% ^b

*The amounts presented for each fiscal year were determined as of December 31. The City implemented GASB Statement No. 68 in 2015; therefore, 10 years of data is not available.

CITY OF SHERIDAN, COLORADO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) – STATEWIDE HYBRID PLAN
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015	2014	2013
City's proportion (percentage) of the collective net pension liability	0.4863%	0.4693%	0.4768%	0.5459%	0.8793%	1.2232%	1.5005%
City's proportionate share of the collective net pension liability (asset)	\$ (94,696)	\$ (64,783)	\$ (93,222)	\$ (59,426)	\$ (92,620)	\$ (145,070)	\$ (153,056)
Covered payroll	\$ 14,175	\$ 93,500	\$ 91,125	\$ 88,379	\$ 141,375	\$ 189,275	\$ 242,650
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(82.94%)	(69.20%)	(102.30%)	(67.24%)	(65.51%)	(76.65%)	(63.08%)
Pension liability net pension as a percentage of the total pension liability (asset)	130.06%	123.46%	138.86%	127.50%	129.14%	140.60%	139.00%

*The amounts presented for each fiscal year were determined as of December 31 based on the most recent data available from the City's plan or the actuary's report No. 68 in 2015, therefore, 10 years of data is not available.

CITY OF SHERIDAN, COLORADO
SCHEDULE OF THE CITY'S CONTRIBUTIONS
STATEWIDE HYBRID PLAN
LAST 10 FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contributions	\$ 11,008	\$ 9,134	\$ 7,480	\$ 7,290	\$ 7,070	\$ 11,310	\$ 15,142	\$ 19,412
Contributions in relation to be statutorily required contributions	11,008	9,134	7,480	7,290	7,070	11,310	15,142	19,412
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 137,600	\$ 114,175	\$ 93,500	\$ 91,125	\$ 88,379	\$ 117,375	\$ 189,275	\$ 242,650
Contribution as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

* The amounts presented for each year were determined as of December 31. The City implemented GASB Statement No. 68 in 2013; therefore, 10 years of data is not available.

SUPPLEMENTARY INFORMATION

CITY OF SHERIDAN, COLORADO
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020
With Comparative Totals for December 31, 2019

	<u>Special Revenue Funds</u>			<u>Total</u>	
	Capital	Conservation	Arapahoe		
	Improvements	Trust	County Open	2020	2019
	Fund	Fund	Fund		
<u>Assets</u>					
Cash and investments	\$ -	\$ 141,633	\$ 835,017	\$ 976,650	\$ 770,440
Restricted cash and investments	1,309,494	-	-	1,309,494	1,024,207
Intergovernmental receivables	-	-	237,755	237,755	-
Due from other funds	-	-	-	-	50,576
Total Assets	\$ 1,309,494	\$ 141,633	\$ 1,072,772	\$ 2,523,899	\$ 1,845,225
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ 237,755	\$ 237,755	\$ 79,467
Due to other funds	15,128	51	-	15,182	8,684
Unearned revenue	-	-	68,400	68,400	-
Total Liabilities	15,128	51	306,155	321,337	88,151
<u>Fund Balance</u>					
Restricted for capital projects	1,294,366	-	-	1,294,366	995,316
Restricted for parks and open space	-	11,579	766,617	978,196	761,758
Total Fund Balance	1,294,366	11,579	766,617	2,202,562	1,757,074
Total Liabilities and Fund Balance	\$ 1,309,494	\$ 141,633	\$ 1,072,772	\$ 2,523,899	\$ 1,845,225

See the accompanying Independent Auditors' Report

CITY OF SHERIDAN, COLORADO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for Year Ended December 31, 2019

	Capital Improvements Fund	Conservation Trust Fund	Special Revenue Funds		
			Atrapahoe County Open Space Fund	Total	
			2020	2019	
Revenues					
Intergovernmental	\$ -	\$ 44,453	\$ 1,336,188	\$ 1,380,941	\$ 1,067,056
Investment earnings	6,185	1,275	3,830	11,290	67,969
Total Revenues	6,185	45,728	1,340,318	1,392,231	1,135,005
Expenditures					
General governmental	-	-	-	-	130,181
Public safety	36,474	-	-	36,474	302,216
Parks, recreation and open space	-	105,744	-	105,744	515,152
Capital Outlay	452,067	-	1,133,867	1,585,928	2,626,073
Debt Service:					
Principal	41,649	-	-	41,649	10,085
Interest	418	-	-	4,181	1,312
Total Expenditures	531,368	105,744	1,133,867	1,773,976	3,485,079
Other Financing Sources (Uses)					
Insurance proceeds	3,454	-	-	3,454	24,272
Operating transfers in	823,779	-	-	823,779	597,268
Total Other Financing Sources (Uses)	827,233	-	-	827,233	621,540
Changes in Fund Balance	299,050	(60,016)	206,157	745,488	(1,731,507)
Fund Balance, Beginning	598,316	201,595	560,166	1,759,074	3,483,578
Fund Balance, Ending	\$ 1,294,366	\$ 141,579	\$ 766,617	\$ 2,222,562	\$ 1,757,074

See the accompanying Independent Auditors' Report

CITY OF SHERIDAN, COLORADO
BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for Year Ended December 31, 2019

	<u>2020</u>			Variance with Final Budget	<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<u>Revenues</u>					
Intergovernmental	\$ 54,152	\$ 42,428	\$ 44,453	\$ 2,025	\$ 53,037
Investment earnings	5,500	1,736	1,275	(461)	5,164
Total Revenues	<u>59,652</u>	<u>44,164</u>	<u>45,728</u>	<u>1,564</u>	<u>58,201</u>
<u>Expenditures</u>					
Parks, recreation and open space	6,000	12,000	105,744	(93,744)	7,871
Capital Outlay	85,000	97,267	-	97,267	57,654
Total Expenditures	<u>91,000</u>	<u>109,267</u>	<u>105,744</u>	<u>3,523</u>	<u>65,525</u>
Changes in fund balance	<u>\$ (31,348)</u>	<u>\$ (65,103)</u>	(60,016)	<u>\$ 2,087</u>	(7,324)
Fund Balance, Beginning			<u>201,595</u>		<u>208,919</u>
Fund Balance, Ending			<u>\$ 141,579</u>		<u>\$ 201,595</u>

See the accompanying Independent Auditors' Report

CITY OF SHERIDAN, COLORADO
BUDGETARY COMPARISON SCHEDULE
ARAPAHOE COUNTY OPEN SPACE FUND
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for Year Ended December 31, 2019

	2020		Variance with Final Budget	2019
	Original and Final Budget	Actual		Actual
<u>Revenues</u>				
Intergovernmental	\$ 1,448,107	\$ 1,336,488	\$ (111,619)	\$ 1,013,999
Investment earnings	12,000	3,830	(8,170)	12,699
Total Revenues	<u>1,460,107</u>	<u>1,340,318</u>	<u>(119,789)</u>	<u>1,026,698</u>
<u>Expenditures</u>				
Parks, recreation and open space	15,000	-	15,000	507,281
Capital outlay	<u>1,244,000</u>	<u>1,133,864</u>	<u>110,136</u>	<u>322,500</u>
Total Expenditures	<u>1,259,000</u>	<u>1,133,864</u>	<u>125,136</u>	<u>829,781</u>
Changes in Fund Balance	<u>\$ 201,107</u>	206,454	<u>\$ 5,347</u>	196,917
Fund Balance, Beginning		<u>560,163</u>		<u>363,246</u>
Fund Balance, Ending		<u>\$ 766,617</u>		<u>\$ 560,163</u>

See the accompanying Independent Auditors' Report

CITY OF SHERIDAN, COLORADO
BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS FUND
YEAR ENDED DECEMBER 31, 2020

With Comparative Totals for Year Ended December 31, 2019

	2020			Variance With Final Budget	2019
	Original Budget	Final Budget	Actual		Actual
Revenues					
Intergovernmental revenues	\$ 47,375	\$ 459,826	\$ -	\$ (459,826)	\$ -
Investment earnings	50,000	8,474	6,185	(2,289)	50,106
Total Revenues	97,375	468,300	6,185	(462,115)	50,106
Expenditures					
General government	-	-	-	-	130,181
Public safety	213,800	263,064	36,474	226,590	202,216
Public Works	105,000	133,159	-	133,159	-
Capital Outlay	250,000	228,583	152,064	(223,781)	2,215,889
Debt Service					
Principal	10,412	10,412	4,649	(31,237)	10,085
Interest	1,045	1,045	4,181	(3,136)	1,372
Total Expenditures	580,257	636,563	534,368	102,195	2,589,743
Excess (deficiency) of revenues over (under) expenditures	<u>(32,382)</u>	<u>(168,263)</u>	<u>(528,183)</u>	<u>(359,920)</u>	<u>(2,539,637)</u>
Other Financing Sources:					
Insurance proceeds	-	3,454	3,454	-	24,272
Operating Transfers In	248,294	472,249	823,779	351,530	594,268
Total Other Financing Sources	248,294	475,703	827,233	351,530	618,540
Changes in Fund Balance	<u>\$ 165,412</u>	<u>\$ 307,440</u>	299,050	<u>\$ (8,390)</u>	(1,921,097)
Fund Balance, Beginning			<u>995,316</u>		<u>2,916,413</u>
Fund Balance, Ending			<u>\$ 1,294,366</u>		<u>\$ 995,316</u>

See the accompanying Independent Auditors' Report

CITY OF SHERIDAN, COLORADO
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2020
With Comparative Totals for Year Ended December 31, 2019

	<u>2020</u>		Variance With Final Budget	<u>2019</u>
	Original and Final Budget	Actual		Actual
<u>Revenues</u>				
Taxes	\$ 2,119,740	\$ 2,084,883	\$ (34,857)	\$ 2,140,926
Investment earnings	40,000	16,781	(23,219)	55,221
Total Revenues	2,159,740	2,101,664	(58,076)	2,196,147
<u>Expenditures</u>				
General government	30,038	20,006	10,032	20,255
Debt Service				
Principal	735,000	735,000	-	710,000
Interest	1,319,025	1,319,025	-	1,350,425
Contingency	50,000	-	50,000	-
Total Expenditures	2,134,063	2,074,031	60,032	2,080,680
Changes in Fund Balance	<u>\$ 25,677</u>	27,633	<u>\$ 1,956</u>	115,467
Fund Balance, Beginning		<u>1,543,916</u>		<u>1,428,449</u>
Fund Balance, Ending		<u>\$ 1,571,549</u>		<u>\$ 1,543,916</u>

See the accompanying Independent Auditors' Report

CITY OF SHERIDAN, COLORADO
BUDGETARY COMPARISON SCHEDULE
STORM WATER FUND – NON-GAAP BASIS
YEAR ENDED DECEMBER 31, 2020

With Comparative Totals for Year Ended December 31, 2019

	<u>2020</u>				<u>2019</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Total Actual</u>	<u>Variance With Final Budget</u>	<u>Actual</u>
<u>Revenue</u>					
User charges and fees	\$ 104,500	\$ 104,500	\$ 99,667	\$ (4,833)	\$ 90,609
Interest income	1,500	237	174	(63)	1,532
Total Operating Revenues	<u>106,000</u>	<u>104,737</u>	<u>99,841</u>	<u>(4,896)</u>	<u>92,141</u>
<u>Operating Expenses</u>					
Stormwater operations	<u>358,360</u>	<u>424,556</u>	<u>379,912</u>	<u>74,644</u>	<u>326,837</u>
Operating Income (Loss)	\$ (252,360)	\$ (319,819)	(280,071)	\$ 65,788	(234,696)
Non-Operating Income (Expense)					
Transfers out	<u>(34,373)</u>	<u>(34,373)</u>	<u>(34,373)</u>	<u>-</u>	<u>(34,372)</u>
Changes in Net Position	<u>\$ (286,733)</u>	<u>\$ (354,232)</u>	<u>(284,444)</u>	<u>\$ 65,788</u>	<u>(269,068)</u>
Net Position, Beginning			7,380,106	4,171,146	
<u>Budget to GAAP reconciling items</u>					
Capital contributions			<u>-</u>	<u>3,178,028</u>	
Net Position, Ending			<u>\$ 7,095,662</u>	<u>\$ 7,380,106</u>	

See the accompanying Independent Auditors' Report

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Sheridan, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sheridan, Colorado (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Adams Group, LLC

July 7, 2021
Denver, Colorado



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Sheridan, Colorado

Report on Compliance for Each Major Federal Program

We have audited the City of Sheridan's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Sheridan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Adams Group, LLC

July 7, 2021
Denver, Colorado

CITY OF SHERIDAN, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *unmodified opinion*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No

Type of auditor's report issued on compliance for major programs: *unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

CITY OF SHERIDAN, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III Findings – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV Findings – Prior Year Findings

There are no prior year findings or questioned costs that are required to be reported.

CITY OF SHERIDAN, COLORADO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

<u>Federal Awarding Agencies</u>	<u>Federal CPDA Number</u>	<u>Passthrough Grantor's Number</u>	<u>Amounts Passed to Subrecipients</u>	<u>Federal Awards Expended</u>
U.S. Department of Treasury				
Passed through Arapahoe County Coronavirus Relief Fund	21.019	200529	<u>\$ -</u>	<u>\$ 768,769</u>
Total U.S. Department of Treasury			<u>\$ -</u>	<u>\$ 768,769</u>

See accompanying Independent Auditors' Report

CITY OF SHERIDAN, COLORADO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal awards includes the federal grant activity of the City for the year ended December 31, 2020. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included in the schedule. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures of federal awards are recognized in the accounting period when the liability is incurred using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The table's population for this information collection is estimated to average 332 hours annually.

LOCAL HIGHWAY FINANCE REPORT		City or County: City of Sheridan
		YEAR ENDING: December 2020
This Information From The Records Of: City of Sheridan		Prepared By: Teresa Adler Phone: 303-752-2200

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expense				
3. Minus amount used for non-highway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	178,583
a. Motor fuel (from Item I A 5)		2. Maintenance	137,520
b. Motor Vehicle (from Item I B 5)		3. Road and street services:	
c. Total (a+b)		a. Traffic control operations	1,774
2. General fund appropriations	711,694	b. Snow and ice removal	23,526
3. Other local imposts (from page 2)	2,084,887	c. Other	152,023
4. Miscellaneous local receipts (from page 2)	0	d. Total (a through c)	180,023
5. Transfers from toll facilities		4. General administration & miscellaneous	
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	629,891
a. Bonds - Original Issues		6. Total (1 through 5)	1,126,018
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds	
d. Total (a + b + c)	0	a. Interest	1,319,025
7. Total (1 through 6)	2,796,578	b. Redemption	735,000
B. Private Contributions		c. Total (a + b)	2,054,025
C. Receipts from State government		2. Notes	
(from page 2)	180,023	a. Interest	
D. Receipts from Federal Government		b. Redemption	
(from page 2)	0	c. Total (a + b)	0
E. Total receipts (A.7 + B + C + D)	2,976,601	3. Total (1 + 2 + c)	2,054,025
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	3,180,073

IV. LOCAL HIGHWAY DEBT STATUS

(Show all contracts on page)

	Outstanding Debt	Amount Issued	Accruals	Closing Debt
A. Bonds (Total)	25,355,000		735,000	27,820,000
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,685,930	2,977,501	3,180,043	1,483,388	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

City or County:
City of Sheridan
YEAR ENDING (mm/yy):
December 2020

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	1,915,557	a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes		c. Parking Garage Fees	
2. Infrastructure & Erosion Fees		d. Parking Meter Fees	
3. Licenses		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership & or Other	169,326	g. Other Misc. Receipts	
6. Total (1. through 5.)	169,326	h. Other:	
c. Total (a. + b.)	2,084,883	i. Total (a. through h.)	0
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	157,705	1. FHWA (from Item D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	23,218	d. Federal Transit Admin.	
d. Other (Specify) - DOT/A Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	23,218	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	180,923	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs			0
c. Construction:			
(1). New Facilities		178,583	178,583
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	178,583	178,583
d. Total Capital Outlay (Lines a. + b. + c.5)	0	178,583	178,583
			(Carry forward to page 1)

Notes and Comments:

CITY OF SHERIDAN

CONTINUING DISCLOSURE

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TABLE II (Series 2016 & 2017)

History of City's Mill Levy

<u>Levy/Collection Year</u>	<u>General Fund</u>	<u>Road Account¹</u>	<u>Abatements</u>	<u>Total Mill Levy</u>
2015-2016	5.974	17.359	0.030	23.363
2016-2017	5.974	19.857	0.365	26.196
2017-2018	5.974	18.058	0.077	24.109
2018-2019	5.974	17.288	0.582	23.844
2019-2020	5.974	14.168	0.168	20.310

¹ A separate account used to pay the principal of and interest on the City's general obligation bonds.

Source: Arapahoe County Assessor's Office

TABLE III (Series 2016 & 2017)

Historical of City's Assessed Valuation

<u>Levy/Collection Year</u>	<u>Gross Assessed Valuation</u>	<u>Tax Increment Valuation¹</u>	<u>Net Assessed Valuation</u>	<u>Percent Change</u>
2015-2016	120,057,771	24,873,618	95,184,153	
2016-2017	120,791,182	26,568,341	94,222,841	-1.01%
2017-2018	144,253,544	31,623,905	112,629,639	19.54%
2018-2019	143,825,021	31,185,295	112,639,726	0.01%
2019-2020	168,649,120	32,019,450	136,629,670	21.30%

¹ The City does not receive property revenue from incremental assessed valuation in excess of "base" valuation in property tax increment areas.

Source: Arapahoe County Assessor's Office

CITY OF SHERIDAN
CONTINUING DISCLOSURE
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TABLE V (Series 2016 & 2017)
Property Tax Collections for the City

<u>Levy/Collection Year</u>	<u>Total Taxes Levied</u>	<u>Current Taxes Collected¹</u>	<u>Percent of Levy Collected</u>
2015/2016	2,223,787	2,201,717	99%
2016/2017	2,468,262	2,459,810	100%
2017/2018	2,715,388	2,652,671	98%
2018/2019	2,685,782	2,683,959	100%
2019/2020	2,774,949	2,745,975	99%

¹ Figures include current and delinquent tax collections, as well as penalties thereon.
 The Arapahoe County Treasurer fees have not been deducted/
 Source: The City of Sheridan

CITY OF SHERIDAN

CONTINUING DISCLOSURE

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TABLE VII (Series 2016 & 2017)

History of General Fund Revenues, Expenditures and Changes in Fund Balances

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
REVENUES				
Taxes	\$ 5,901,050	\$ 6,196,598	\$ 6,618,525	\$ 7,370,615
Licenses	411,140	616,801	51,936	525,200
Intergovernmental	147,750	381,113	119,330	88,907
Charges for services	361,221	297,048	315,919	291,919
Fines and forfeitures	1,523,984	1,410,476	1,621,189	1,606,529
Investment Earnings	15,831	9,212	71,059	11,251
Other Income	882,515	960,870	969,196	994,888
Total Revenues	<u>9,249,491</u>	<u>9,902,118</u>	<u>10,197,154</u>	<u>10,989,309</u>
EXPENDITURES				
General government				
General government:	412,990	434,563	514,847	549,671
City Clerk	142,143	201,775	169,642	175,423
Victims advocate	72,701	70,448	68,634	90,765
Municipal court	260,820	281,328	310,103	301,095
Legislative	179,685	180,449	253,522	248,306
Public Safety				
Police	4,024,519	4,033,802	4,453,924	5,055,285
Fire	1,956,145	1,995,267	2,035,172	2,035,172
Public works	661,282	720,088	825,547	818,719
Community Development	465,055	394,742	421,118	489,044
Non-departmental	373,055	472,737	452,490	486,850
Capital Equipment and Projects	-	382,649	-	-
Debt Service	176,920	-	-	-
Total Expenditures	<u>8,725,343</u>	<u>9,176,398</u>	<u>9,505,999</u>	<u>10,250,330</u>
Excess (Deficiency) of revenues over (under) expenditures	524,148	725,720	691,155	738,979
Other financing sources (uses)				
Debt proceeds	-	-	-	-
Transfers in	916,572	950,780	987,589	1,083,912
Transfers out	(707,191)	(639,937)	(416,397)	(594,268)
Sale of assets	-	-	-	5,096
Total	<u>214,381</u>	<u>310,299</u>	<u>571,192</u>	<u>494,740</u>
Changes in fund balance	738,529	1,036,019	1,262,347	1,233,719
Beginning fund balance	2,670,161	3,408,690	4,444,709	5,707,056
Ending Fund balance	<u>\$ 3,408,690</u>	<u>\$ 4,444,709</u>	<u>\$ 5,707,056</u>	<u>\$ 6,940,775</u>

Source: City's annual financial statements for years ended December 31, 2015 - 2019